HEALTH SERVICES AND DEVELOPMENT AGENCY
NOVEMBER 14, 2012
APPLICATION SUMMARY

NAME OF PROJECT:	Shelby County Health Care Corporation d/b/a Regional Medical Center at Memphis
PROJECT NUMBER:	CN1208-037
ADDRESS:	877 Jefferson Avenue Memphis (Shelby County), TN 38103
LEGAL OWNER:	Shelby County Health Care Corporation 877 Jefferson Avenue Memphis (Shelby County), TN 38103
OPERATING ENTITY:	Self-Managed, Considering management entity for dedicated outpatient surgery
CONTACT PERSON:	E. Graham Baker, Jr. (615) 370-3380
DATE FILED:	August 10, 2012
PROJECT COST:	$28,400,168.00
FINANCING:	Cash Reserves
PURPOSE FOR FILING:	Conversion of ten (10) medical surgical beds to ten (10) inpatient rehabilitation beds and modification of existing facility in excess of $5 million

DESCRIPTION:

Shelby County Health Care Corporation d/b/a Regional Medical Center at Memphis (The MED) is seeking approval to convert ten (10) medical surgical beds to ten (10) inpatient rehabilitation beds, add three operating rooms (ORs) dedicated to outpatient surgery in the Turner Tower, and renovate and relocate medical surgical beds to the Turner Tower, one of the newer buildings on the MED campus built in 1992.

CRITERIA AND STANDARDS REVIEW

COMPREHENSIVE INPATIENT REHABILITATION SERVICES

1. The need for comprehensive inpatient rehabilitation beds shall be determined by applying the guideline of ten beds per 100,000 population in the service area of the proposal.

   See criterion #2 below.

2. The need shall be based upon the current year's population and projected four years forward.

The applicant was asked to complete the following bed need chart:

2012 Shelby Co. Population	949,665
2012 Rehab Beds Needed	95
2016 Shelby Co. Population	976,726
2016 Rehab Beds Needed	98
Existing Shelby Co. Rehab. Beds	209
Net Need/(Excess)	(111)

According to the above chart there is a one hundred eleven (111) rehabilitation bed excess in Shelby County.

It appears that this application does not meet this criterion.

3. Applicants shall use a geographic service area appropriate to inpatient rehabilitation services.

   The applicant has chosen Shelby County as the service area for its inpatient rehabilitation service. Approximately 75% of the applicant facility's inpatients reside in Shelby County.

   It appears that the application does meet this criterion.

4. Inpatient rehabilitation units in acute care hospitals shall have a minimum size of 8 beds.

The MED currently has a 20 bed inpatient rehabilitation unit and proposes to add ten beds for a 30 bed unit.

It appears that the application meets this criterion.

5. Freestanding rehabilitation hospitals shall have a minimum size of 50 beds.

This criterion is not applicable.

6. Additional inpatient rehabilitation beds, units, or freestanding hospitals should not be approved by the HSDA, unless all existing units or facilities are utilized at the following levels:

20-30 bed unit	~ 75%
31-50 bed unit/facility	~ 80%
51 bed plus unit/facility	~ 85%

The chart below provides the most recent occupancy statistics for inpatient rehabilitation services in the service area:

Bed Unit Range	*G of G* Occupancy Standard*	*Hospital*	*Rehab Bed Capacity*	*2011 Occupancy*	*Meets G of G* Standard*
31-50 beds	~ 80%	*Bapt. Rehab.-Germantown*	*50*	*68.7%*	*No*
51+ beds	~ 85%	*HealthSouth*	*80*	*66.9%*	*No*
31-50 beds	~ 80%	*HealthSouth-Memphis No.*	*40*	*93.5%*	*Yes*
20-30 beds	~ 75%	*The MED*	*20*	*95.8%*	*Yes*
20-30 beds	~ 75%	*St. Francis*	*29*	*21.7%*	*No*

**G of G = Guidelines for Growth*

It appears that the application does not meet this criterion.

7. The applicant must document the availability of adequate professional staff, as per licensing requirements, to deliver all designated services in the proposal. It is preferred that the medical director of a rehabilitation hospital be a board certified physiatrist.

The applicant intends to increase its clinical staff by 15.2 FTE. The applicant believes that staff can be added as the need arises by interviewing prospective personnel already contained in Human Resource's files and by interviewing graduates of local schools. The applicant notes that the University of Tennessee-Memphis maintains programs in both physical and

occupational therapies and the University of Memphis has a nursing school from which to draw future staff. The applicant also points out that Dr. Tewfik Rizk is the medical director of its inpatient unit and is a Board-certified physiatrist.

It appears that the application will meet this criterion.

CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTH CARE INSTITUTIONS

1. **Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.**

2. **For relocation or replacement of an existing licensed health care institution:**
   a. **The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.**

      This criterion does not apply

   b. **The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.**

      This criterion does not apply

3. **For renovation or expansions of an existing licensed health care institution:**

   a. **The applicant should demonstrate that there is an acceptable existing demand for the proposed project.**

      The applicant provided historical utilization data that demonstrated that the current 20 bed rehabilitation unit has operated at an occupancy rate between 95%and 98% for the past three years. The applicant also reports outpatient surgical encounters to support 3 dedicated outpatient operating rooms.

      It appears that the application meets this criterion.

b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

The applicant is proposing to move the current 20 bed rehabilitation unit to the Turner Tower so the unit can be expanded to 30 beds due to the high historical occupancy of the existing unit. The applicant is also moving services from older buildings into the newer Turner Tower.

It appears that the application meets this criterion.

SUMMARY:

The following table identifies the buildings that currently house inpatient services and the configuration of beds after completion of the proposed project:

Building Name	Bldg. Age	Floor #	Before Project Type of Unit, (e.g. Med/Surg, OB,)	Before Project Licensed Beds	Before Project Staffed Beds	After Project Type of Unit	After Project Licensed Beds	After Project Staffed Beds
Adams	67	4	Med/Surg	10	10		0	0
		3	Rehab	20	20		0	0
Turner	20	4				Med/Surg	24	24
		3				Rehab	24	24
		2				Rehab	6	6
		G	Burn Unit	14	14	Burn Unit	14	14
		B				Med/Surg	6	6
Jefferson	31	5	Med/Surg	111	84	Med/Surg	111	84
		4	Med/Surg	109	61	Med/Surg	109	61
		G	ICU	61	22	ICU	61	22
Rout	56/44	6	Med/Surg	18	0	Med/Surg	18	0
	56/43	5	Med/Surg	19	0	Med/Surg	19	0
	56/42	4	OB	30	20	OB	30	20
	56/41	3	OB	30	25	OB	30	25
	56/40	2	OB	80	69	OB	80	69
	56/39	1	Med/Surg	119	0	Med/Surg	89	0
	56/40	G	LDR	10	7	LDR	10	7
TOTAL BEDS				631	332		631	362
LICENSED BEDS				631			631	

The table above illustrates that there are currently four buildings on the MED campus that house inpatient services:

- Adams Building is 67 years old and currently houses the twenty (20) bed rehabilitation unit and ten (10) medical/surgical beds. After project completion no inpatient beds will be housed in the Adams Building.
- Turner Building is 20 years old and currently houses a fourteen (14) bed burn unit. After project completion the 20 rehabilitation beds in the Adams Building will be relocated to the Turner Building and 10 additional rehabilitation beds will be added resulting in a 30 bed rehabilitation unit. There will also be 30 medical/surgical beds relocated to the Turner Building. (See pending application section of this summary)
- Jefferson Building is currently 31 years old and houses 220 licensed medical/surgical beds and 61 licensed ICU beds. There will be no changes to this building due to this project.
- Rout Building, depending on the location within the building ranges in age from 39 to 56 years old. This building houses 156 licensed medical/surgical beds, 140 licensed obstetrical beds, and 10 labor, delivery, recovery rooms. After project completion the Rout Building will house 30 less medical/surgical beds reducing the medical/surgical bed complement in the building to 126.
- Total licensed beds will remain at 631 while staffed beds are expected to increase from 332 to 362.

The focus of the proposed project is the Turner Tower to which inpatient rehabilitation services will be relocated, addition of three dedicated outpatient operating rooms, relocation of medical surgical beds, and renovation of 82,580 gross square feet (GSF). There is no new construction associated with the proposed project. The breakdown in the square footage is 22,400 GSF for inpatient rehabilitation, 17,500 GSF for the outpatient ORs, and 42,680 GSF in renovation of the basement, ground, 2nd and 4th floors. The location of service by floor is as follows:

- Basement-6 medical/surgical bed unit
- Ground Floor-14 bed burn unit
- First floor-3 operating room suite dedicated to outpatient surgery along with a shelled-in 4th operating room
- Second Floor-6 inpatient rehabilitation beds.
- Third Floor-24 inpatient rehabilitation beds

- Fourth Floor-24 medical/surgical beds or 24 bed separately licensed long term acute care hospital. (See Pending Application Section of this summary)

The applicant, Shelby County Health Care Corporation, d/b/a Regional Medical Center at Memphis commonly referred to as The MED is a non-profit corporation, chartered in 1981, the purpose of which is stated in a July 1, 1981 lease agreement between the applicant and Shelby County ".....provide a hospital that will be available to Shelby County residents who are in need, regardless of their financial status.....".

The MED is a 631 bed acute care hospital. The Joint Annual Report for 2011 indicates The MED staffed 325 beds of its licensed 631 beds, for 39.4%% licensed bed occupancy and 76.5% staffed bed occupancy.

The following provides the Department of Health's definition of the two bed categories pertaining to occupancy information provided in the Joint Annual Reports:

Licensed Beds - The maximum number of beds authorized by the appropriate state licensing (certifying) agency or regulated by a federal agency. This figure is broken down into adult and pediatric beds and licensed bassinets (neonatal intensive or intermediate care bassinets).

Staffed Beds - The total number of adult and pediatric beds set up, staffed and in use at the end of the reporting period. This number should be less than or equal to the number of licensed beds.

The applicant was asked in the first supplemental request for information as to whether the applicant intended to reduce the licensed bed complement of the hospital due the low licensed occupancy rate. The applicant's response was that the facility is staffing more beds now than at the end of 2011 and flexibility is required to be able to provide patient beds as they are needed.

According to the demographic statistics from the Department of Health, the applicant's declared service area of Shelby County's total population is projected to grow by 2.8 between 2012 and 2016 from 949,665 to 976,726. The State of Tennessee is projected to increase 3.4% over the same time period. Persons 65+ are projected over the same period to increase 13.9%, from 100,017 in 2012 to 113,906 in 2016. This compares to 12.4% for Tennessee overall. Persons Age 65+ account for 10.5% of the total population in the service area. This compares to

13.8% for Tennessee. TennCare enrollees account for 24.1% of the population in the service area. This compares to 19% for the State of Tennessee.

Inpatient Rehabilitation Beds

The applicant proposes to relocate a 20 bed rehabilitation unit currently housed in the 67 year old Adams Building to 20 year old Turner Building and expand the unit by 10 beds for a 30 bed rehabilitation unit.

The applicant utilized a consulting firm to examine rehabilitation bed utilization. The applicant states that the consulting firm performed a population based study and a discharge based study. The population based study indicated a need of up to 243 rehabilitation beds in Shelby County and the discharge based study indicated that the MED could maintain an 85% occupancy with a 41 bed rehabilitation unit. For more details on the methodology see pages 18-19 of the original application.

According to the Department of Health Report there will be an inpatient rehabilitation bed need in 2016 of 98 beds in Shelby County, based on the 2000 Guidelines for Growth, Criteria and Standards for Comprehensive Inpatient Rehabilitation Services. In 2011 there were 209 available inpatient rehabilitation beds resulting in a surplus of 111 rehabilitation beds.

The 2000 Guidelines for Rehabilitation bed occupancy is based on unit size. The table below presents an analysis of how Shelby County inpatient rehabilitation units compare to these standards:

Bed Unit Range	G of G* Occupancy Standard	Hospital	Rehab Bed Capacity	2011 Occupancy	Meets G of G* Standard
31-50 beds	~ 80%	Bapt. Rehab.-Germantown	50	68.7%	No
51+ beds	~ 85%	HealthSouth	80	66.9%	No
31-50 beds	~ 80%	HealthSouth-Memphis No.	40	93.5%	Yes
20-30 beds	~ 75%	The MED	20	95.8%	Yes
20-30 beds	~ 75%	St. Francis	29	21.7%	No

*G of G = Guidelines for Growth

The table above identifies that only two of the five existing inpatient

rehabilitation facilities in Shelby County are meeting the 2000 Guidelines for Growth rehabilitation bed occupancy standards.

Historical utilization trends for these rehabilitation services are presented in the table below:

Hospital	2009 Patient Days	2010 patient Days	2011 Patient Days	'09-'11 % Change
Bapt. Rehab.-Germantown	13,082	10,290	12,536	-4.2%
HealthSouth	20,052	19,879	19,529	-2.6%
HealthSouth-Memphis No.	12,307	13,116	13,657	+11.0%
The MED	7,238	7,191	6,990	-3.4%
St. Francis	4,526	2,245	2,296	-49.3%
TOTAL	**57,205**	**52,721**	**55,008**	**-3.8%**

The table above indicates overall inpatient rehabilitation utilization has declined by 3.8% in the last three years in Shelby County. One facility has experienced an increase in utilization, HealthSouth-Memphis North, +11%. The other 4 facilities have experienced a decline in utilization ranging from -2.6% at HealthSouth to 49.3% at St. Francis.

The first year after project completion the applicant is projecting a 75% occupancy in the 30 bed rehabilitation unit increasing to 85% during the second year of operation.

Outpatient Surgery

The applicant currently operates fourteen operating rooms (ORs) and special procedure rooms. Currently 8 ORs are in the Chandler Building, 1 Cysto procedure room in the Chandler building, and 4 trauma emergency department ORs in the Jefferson Building, and one OR in the Burn Unit in the Turner Tower. None of these existing surgery suites are dedicated to outpatient. The applicant points out that the mixing of inpatient and outpatient surgeries often leads to more acute serious inpatient surgeries receiving priority over outpatient surgeries resulting in delays of outpatient surgeries.

The applicant is proposing to add three dedicated outpatient surgery suites in the Turner Tower, plus shell in a fourth suite for later use as needed. The applicant states that this project will free up existing ORs for inpatient surgeries and create a special location for outpatient surgery.

The applicant's historical and projected outpatient encounters are presented in the table below:

Variable	2009	2010	2011	YEAR 1	YEAR 2
Outpatient Surgical Encounters	4,490	4,519	4,110	4,704	5,475

The applicant provides information in the first supplemental response that indicates that existing surgical suites are being utilized less than 60% of the time. The applicant states that the addition of the ORs is not due to surgery volumes. The purpose of the proposal is to create an area of the hospital where patients requiring outpatient surgery will not have to be integrated into the existing surgical area. The applicant points out that once the three dedicated outpatient ORs are implemented, it may well be that some of the 14 existing ORs will not be staffed in the future.

The applicant projects that 90% of existing outpatient surgeries will be performed in the new dedicated outpatient area and that the new area will attract more patients resulting in the determination that 3 ORs were needed.

Turner Tower Renovation

The Turner Tower is one of the newer buildings on campus, built in 1992. It was designed and constructed to meet seismic safety requirements. When originally constructed the lower floors were utilized for various hospital functions and the upper floors were shelled in for future use. The applicant felt as some services are being relocated to the Turner Tower there are economic efficiencies and projected savings of $800,000 if all floors were built out at the same time. In addition to the relocation of the rehabilitation unit from the Adams Building, the Turner building will house a 6 bed medical/surgical unit formerly housed in the Adams Building and a 24 bed separately licensed long term acute care hospital if pending application CN1210-052 is approved. (See pending section of this summary). If CN1210-052 is not approved, then a 24 bed medical surgical unit will be relocated to this floor. The result will be that there will no longer be inpatient beds in the 67 year old Adams building and 30 less inpatient beds on the first floor of the Rout building that varies in age between 39 and 56 years.

The Projected Data Chart shows that The MED will report net operating income of $37,400,000 during the first year after project completion and $36,033,000 the second year. This will result in a gross margin of 2.9% in Year 1 and a gross margin of 2.7% in Year 2. The applicant expects the inpatient rehabilitation unit to be profitable in both Year 1 and 2 and expects the Outpatient Surgery area to be profitable by the third year of operation.

For the hospital overall the applicant expects the payor mix to include Medicaid of 41.39% and Medicare at 14.11%. The applicant projects that the payor mix of the inpatient rehabilitation unit will include 10% Medicaid and 40% Medicare. The applicant states that The MED contracts with all TennCare MCOs in the service area: UHC/Americhoice, BlueCare, and TennCare Select.

The Historical Data Chart for The MED displays a net operating loss of $20,217,000 in 2009 improving to a net operating profit of $5,532,000 in 2010, and $74,433,000 in 2011.

The applicant provides the current staffing pattern for the rehabilitation unit and the projected staffing pattern after project completion. Total FTEs are projected to increase by 15.2 FTEs as displayed in the chart below:

Position	Current FTEs	Projected FTEs	# Change
Physical Therapist	2.0	3.0	1.0
PT Asst.	1.0	1.5	0.5
Occ. Therapist	2.0	3.0	1.0
COTA	1.0	1.5	0.5
Speech Therapist	1.0	1.5	0.5
Rec. Therapist	1.0	1.5	0.5
Rehab Aide	2.0	3.0	1.0
RN	9.5	14.5	5.0
LPN	2.0	3.0	1.0
CNA	8.3	12.5	4.2
TOTAL	**29.8**	**45.0**	**15.2**

The applicant also projects that the outpatient surgery department will consist of 17.0 FTEs including 9 RNs, 3 OR Techs, and 1 GI Tech.

The total estimated project cost is $28,400,000 of which Construction Costs (with contingency) account for $20,086,160 or 70% of total project costs. The next

largest cost is fixed and moveable equipment at is $6,466,810 or 23% of total project cost. The applicant states that the construction cost per square foot is $203.00, which is between the median and third quartile of previously approved hospital projects during 2009-2011.

The applicant states that the project will be financed by cash reserves. An August 20, 2012 letter from the Chief Financial Officer of The MED certifies that The MED has sufficient cash reserves to fund this $28,400,000 project. Review of Shelby County Health Care Corporation's audited balance sheet dated June 30, 2011 reports cash and cash equivalents of $48,817,462.

The applicant has submitted the required corporate documents, real estate title, a graduate medical education agreement with the University of Tennessee, and excerpts from an administrative manual. Staff will have a copy of these documents available for member reference at the meeting. Copies are also available for review at the Health Services and Development Agency office.

Should the Agency vote to approve this project, the CON would expire in three years.

CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT:

There are no other Letters of Intent, denied applications, pending applications, or outstanding Certificates of Need for this applicant.

Shelby County Health Care Corporation has financial interests in this project and the following:

Pending Applications

Memphis Long Term Care Specialty Hospital, CN1210-052, has a pending application expected to be heard on the Consent Calendar at the December 12, 2012 Agency meeting for the relocation of a twenty-four (24) bed long term acute care hospital, which has been approved but unimplemented, from the intersection of Kirby Parkway and Kirby Gate Boulevard to the main campus of The MED. The MED received Agency approval in September 2012 for a change of ownership for the approved but unimplemented hospital. The proposed hospital will be placed on the fourth floor of the Turner Tower in the space previously designated for a 24 bed medical surgical unit. The estimated cost of the project is **$8,208,743.21.**

CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:

There are no other Letters of Intent, denied or pending applications or outstanding Certificates of Need for other entities proposing this type of service.

PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.

MAF
(11/08/12)

LETTER OF INTENT

2012 AUG 10 PM 2 40

LETTER OF INTENT
TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the *Commercial Appeal* which is a newspaper of general
(Name of Newspaper)

circulation in Shelby and surrounding Counties, Tennessee on or before August 10, 2012 for one day.
(County) (Month / day) (Year)

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This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. §68-11-1601, et seq., and the Rules of the Health Services and Development Agency, that Shelby County Health Care Corporation, d/b/a, Regional Medical Center at Memphis, 877 Jefferson Avenue, Memphis (Shelby County), Tennessee 38103 ("Applicant"), owned and managed by itself, is applying for a Certificate of Need for (a) the conversion of the license for ten (10) med/surg beds to rehab beds, and (b) the relocation of its existing twenty (20) bed rehab unit, after which a thirty (30) bed rehab unit will be operated in Turner Tower; (c) the addition of three (3) operating rooms to be dedicated to outpatient surgery, which rooms will be operated in Turner Tower as a department of the Applicant; (d) the general renovation of Turner Tower, including the buildout of unused space for a twenty-four (24) bed unit which will be utilized as med/surg hospital beds; and (e) the relocation of an existing ten (10) bed med/surg unit to Turner Tower, which will result in six (6) staffed med/surg beds. Other than mentioned above, there are no new licensed beds and no major medical equipment involved with this project. The number of total licensed beds will not change. No other health services will be initiated or discontinued. It is proposed that Medicare, TennCare (Medicaid), commercially insured, and private-pay patients will continue to be served by the Applicant, which will continue to be licensed by the Tennessee Department of Health. The estimated project cost is anticipated to be approximately $28,400,000, including filing fee.

The anticipated date of filing the application is: August 15, 2012.

The contact person for this project is E. Graham Baker, Jr., (Contact Name) Attorney (Title)

who may be reached at: his office located at (Company Name) 2021 Richard Jones Road, Suite 350 (Address)

Nashville (City) TN (State) 37215 (Zip Code) 615 / 370-3380 (Area Code / Phone Number)

E. Graham Baker, Jr. (Signature) August 10, 2012 (Date) graham@grahambaker.net (E-mail Address)

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The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
Andrew Jackson Building
500 Deaderick Street, Suite 850
Nashville, Tennessee 37243

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The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the

ORIGINAL APPLICATION

2012 AUG 10 PM 3 43

CERTIFICATE OF NEED
APPLICATION

for

The Conversion of 10 Med/Surg Beds to Rehabilitation Beds,
The Relocation of an Existing 20 Bed Rehabilitation Unit,
Establishment of an Outpatient Surgery Department,
Renovation of a 24 Bed Med/Surg Unit,
And Relocation of a Med/Surg Unit

by

Shelby County Health Care Corporation,
d/b/a, Regional Medical Center at Memphis
877 Jefferson Avenue
Memphis (Shelby County), Tennessee 38103

STATE OF TENNESSEE
HEALTH SERVICES AND DEVELOPMENT AGENCY
500 Deaderick Street
Suite 850
Nashville, Tennessee 37243
615/741-2364

FILING DATE: August 10, 2012

SECTION A:

APPLICANT PROFILE

Please enter all Section A responses on this form. All questions must be answered. If an item does not apply, please indicate "N/A". ***Attach appropriate documentation as an Appendix at the end of the application and reference the applicable Item Number on the attachment.***

Section A, Item 1: Facility Name must be applicant facility's name and address must be the site of the proposed project.

Response: The Applicant is Shelby County Health Care Corporation, d/b/a, Regional Medical Center at Memphis, 877 Jefferson Avenue, Memphis (Shelby County), Tennessee 38103.

Section A, Item 3: Attach a copy of the partnership agreement, or corporate charter and certificate of corporate existence, if applicable, from the Tennessee Secretary of State.

Response: The requested documents for the Applicant are included in the application as *Attachment A.4.*

SECTION A: APPLICANT PROFILE

1. Name of Facility, Agency or Institution

Shelby County Health Care Corporation, d/b/a Regional Medical Center at Memphis
Name

877 Jefferson Avenue — Shelby
Street or Route — County

Memphis, — TN — 38103
City — State — Zip Code

2. Contact Person Available for Responses to Questions

E. Graham Baker, Jr. — Attorney
Name — Title

Weeks and Anderson — graham@grahambaker.net
Company Name — e-mail address

2021 Richard Jones Road, Suite 350 — Nashville, — TN — 37215
Street or Route — City — State — Zip Code

Attorney — 615/370-3380 — 615/221-0080
Association with Owner — Phone Number — Fax Number

3. Owner of the Facility, Agency, or Institution

Shelby County Health Care Corporation — 901/545-7928
Name — Phone Number

877 Jefferson Avenue — Shelby
Street or Route — County

Memphis, — TN — 38103
City — State — Zip Code

4. Type of Ownership of Control (Check One)

A.	Sole Proprietorship	____	F.	Governmental (State of Tenn. or Political Subdivision)	____
B.	Partnership	____	G.	Joint Venture	____
C.	Limited Partnership	____	H.	Limited Liability Company	____
D.	Corporation (For-Profit)	____	I.	Other (Specify)	
E.	Corporation (Not-for-Profit)	X		_____	____

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS. See *Attachment A.4.*

Section A, Item 4: Describe the existing or proposed ownership structure of the applicant, including an ownership structure organizational chart. Explain the corporate structure and the manner in which all entities of the ownership structure relate to the applicant. As applicable, identify the members of the ownership entity and each member's percentage of ownership, for those members with 5% or more ownership interest. In addition, please document the financial interest of the applicant, and the applicant's parent company/owner in any other health care institution as defined in Tennessee Code Annotated, §68-11-1602 in Tennessee. At a minimum, please provide the name, address, current status of licensure/certification, and percentage of ownership for each health care institution identified.

Response: The Applicant is Shelby County Health Care Corporation, d/b/a, Regional Medical Center at Memphis, 877 Jefferson Avenue, Memphis (Shelby County), Tennessee 38103, owned and managed by itself. The Applicant is a 501(c)3 non-profit corporation, chartered in 1981, the purpose of which is to "...provide a hospital that will be available to Shelby County residents who are in need, regardless of their financial status ...." (*July1, 1981 Lease Agreement between the Applicant and Shelby County, Tennessee*).

The Applicant does not own any other health care institutions as defined above.

See the following chart:

Shelby County Health Care Corporation, d/b/a Regional Medical Center at Memphis

Section A, Item 5: For new facilities or existing facilities without a current management agreement, attach a copy of a draft management agreement that at least includes the anticipated scope of management services to be provided, the anticipated term of the agreement, and the anticipated management fee payment methodology and schedule. For facilities with existing management agreements, attach a copy of the fully executed final contract

Please describe the management entity's experience in providing management services for the type of the facility, which is the same or similar to the applicant facility. Please describe the ownership structure of the management entity.

Response: The Applicant, also doing business as The MED, is self-managed. However, it is considering the possibility of hiring a management entity for the dedicated outpatient ORs. Discussions have taken place between The MED and outside management entities who specialize in managing ASTCs and outpatient operating room departments. However, no decisions have been made either to have an outside management company, or if so, which one. With that said, The MED is furnishing a draft management contract as *Attachment A.5*, which contract would serve as a basis for developing such a contract in the future, if necessary. In addition, the Projected Data Chart for the outpatient surgery department includes an expense of $180,000, which is thought to be a reasonable amount for such a contract if executed. Obviously, if The MED decides to self-manage the outpatient surgery department, this expense would be deleted.

Section A, Item 6: For applicants or applicant's parent company/owner that currently own the building/land for the project location, attach a copy of the title/deed. For applicants or applicant's parent company/owner that currently lease the building/land for the project location, attach a copy of the fully executed lease agreement. For projects where the location of the project has not been secured, attach a fully executed document including Option to Purchase Agreement, Option to Lease Agreement, or other appropriate documentation. Option to Purchase Agreements must include anticipated purchase price. Lease/Option to Lease Agreements must include the actual/anticipated term of the agreement and actual/anticipated lease expense. The legal interests described herein must be valid on the date of the Agency's consideration of the certificate of need application.

Response: The Applicant is located on an 18.55 acre site in downtown Memphis. The original lease between the Applicant and Shelby County began in 1981, and is for 50 years. Appropriate documents are included as *Attachment A.6*.

5. Name of Management/Operating Entity (If Applicable)

Please see Note on Page 5
Name

Street or Route County

City State Zip Code

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS. Please see *Attachment A.5.*

6. Legal Interest in the Site of the Institution (Check One)

A.	Ownership	____	D.	Option to Lease	____
B.	Option to Purchase	____	E.	Other (Specify)	
C.	Lease of __X__ Years	50		_____	____

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS. See *Attachment A.6.*

7. Type of Institution (Check as appropriate--more than one response may apply.)

A.	Hospital	__X__	I.	Nursing Home	____
B.	Ambulatory Surgical Treatment Center (Multi-Specialty)	____	J.	Outpatient Diagnostic Center	____
C.	ASTC	____	K.	Recuperation Center	____
D.	Home Health Agency	____	L.	Rehabilitation Facility	____
E.	Hospice	____	M.	Residential Hospice	____
F.	Mental Health Hospital	____	N.	Non-Residential Methadone Facility	____
G.	Mental Health Residential Treatment Facility	____	O.	Birthing Center	____
H.	Mental Retardation Institutional Habilitation Facility (ICF/MR)	____	P.	Other Outpatient Facility (Specify) _____	____
			Q.	Other (Specify) _____	____

8. Purpose of Review (Check as appropriate--more than one response may apply.)

A.	New Institution	____	H.	Change In Bed Complement (Please note the type of change by underlining the appropriate response: Increase, Decrease, Designation, Distribution, Conversion, Relocation)	__X__
B.	Replacement/Existing Facility	____			
C.	Modification/Existing Facility	__X__			
D.	Initiation of Health Care Service as defined in TCA §68-11-1607(4)		I.	Change of Location	____
E.	Specify _____	____	J.	Other (Specify) convert 10 Med/surg to rehab, add 3 outpatient ORs	____ __X__
F.	Discontinuance of OB Services	____			
G.	Acquisition of Equipment	____			

9. **Bed Complement Data**

SUPPLEMENTAL

Please indicate current and proposed distribution and certification of facility beds.

Response: Except for Licensed and Total line, the chart below represents STAFFED beds.

2012 AUG 27 PM 3:40

	Current Beds Licensed	Current Beds CON*	Staffed Beds	Beds Proposed	TOTAL Beds at Completion
A. Medical	430		124	20	420
B. Surgical (Orthopedic)	6		6		6
C. Long-Term Care Hospital					
D Obstetrical	45		45		45
E. ICU/CCU	61		61		61
F. Neonatal	69		69		69
G. Pediatric					
H. Adult Psychiatric					
I. Geriatric Psychiatric					
J. Child/Adolescent Psychiatric					
K. Rehabilitation	20		20	10	30
L. Nursing Facility (non-Medicaid Certified)					
M. Nursing Facility Level 1 (Medicaid only)					
N. Nursing Facility Level 2 (Medicare only)					
O. Nursing Facility Level 2 (dually-certified)					
P. ICF/MR					
Q. Adult Chemical Dependency					
R. Child & Adolescent Chemical Dependency					
S. Swing Beds					
T. Mental Health Residential Treatment					
U. Residential Hospice					
TOTAL	631		325	30	631**

* CON Beds approved but not yet in service

** *Of the total, the existing 120 staffed "Medical" beds are Med/Surg beds. Also, the Applicant is licensed for 631 beds, and that number will not change. The "addition" of the 10 rehab beds and staffing of an additional 20 Med/surg beds will only increase the number of staffed beds from 325 to 355 – it will not alter the number of licensed beds, which will remain at 631 total.*

10. **Medicare Provider Number** 440152
Certification Type Hospital

Medicare Provider Number 44T152
Certification Type Rehab Distinct Unit

11. **Medicaid Provider Number** NPI # 1144213117
Certification Type Hospital

Medicaid Provider Number NPI # 1053393231
Certification Type Rehab Distinct Unit

12. **If this is a new facility, will certification be sought for Medicare and/or Medicaid?**

Response: N/A.

13. ***Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area.*** **Will this project involve the treatment of TennCare participants? Yes If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted *or plans to contract. Discuss any out-of-network relationships in place with MCOs/BHOs in the area.***

Response: We have TennCare contracts with UHC/Americhoice, Blue Care and TNCare Select. These contracts will not change as a result of this project.

The Applicant will contract with any new MCOs that provide services in the area.

NOTE: ***Section B is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. Section C addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care. Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.***

SECTION B: PROJECT DESCRIPTION

Please answer all questions on 8 1/2" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.

Response: Shelby County Health Care Corporation, d/b/a, Regional Medical Center at Memphis, 877 Jefferson Avenue, Memphis (Shelby County), Tennessee 38103 ("Applicant" or "The MED"), owned and managed by itself, files this Certificate of Need for (a) the conversion of the license for ten (10) med/surg beds to rehab beds, and (b) the relocation of its existing twenty (20) bed rehab unit, after which a thirty (30) bed rehab unit will be operated in Turner Tower; (c) the addition of three (3) operating rooms to be dedicated to outpatient surgery, which rooms will be operated in Turner Tower as a department of the Applicant; (d) the general renovation of Turner Tower, including the buildout of unused space for a twenty-four (24) bed unit which will be utilized as med/surg hospital beds; and (e) the relocation of an existing ten (10) bed med/surg unit to Turner Tower, which will result in six (6) staffed med/surg beds. Other than mentioned above, there are no new licensed beds and no major medical equipment involved with this project. The number of total licensed beds will not change. No other health services will be initiated or discontinued. It is proposed that Medicare, TennCare (Medicaid), commercially insured, and private-pay patients will continue to be served by the Applicant, which will continue to be licensed by the Tennessee Department of Health. The estimated project cost is anticipated to be approximately $28,400,000, including filing fee.

The Applicant's primary service area is Shelby County. Approximately 88.5% of the Applicant's patients who originate in Tennessee were from Shelby County in 2011, according to the provisional JAR for that year. The MED provided 68,095 inpatient days to Tennessee residents in 2011, with 60,247 originating from Shelby County. With that said, the Applicant also provided care to patients from 31 total counties in Tennessee in 2011, and patients from at least 10 other states came to the Applicant for care in 2011. In addition to the 68,095 patient days provided to Tennessee residents, 22,677 inpatient days were provided to residents of other states, bringing the total inpatient days to 90,772. While this data emphasizes the "regional" nature of the Applicant's service area, for Tennessee purposes, Shelby County is our primary service area.

The Applicant currently operates a twenty (20) bed rehab unit in one of the older buildings on campus. These beds traditionally operate at a very high utilization, operating at 98.3%, 99.2%, 98.5% and 95.0% during 2008 – 2011, respectively. Rehab inpatient days have accounted for 6.4%, 7.1%, and 7.2% of our total inpatient days at our hospital for FY 2009 – FY 2011, respectively. Therefore, rehab is increasing its percentage of inpatient days provided at our hospital. Most of our rehab patients are referred from

within the hospital. We have the third busiest trauma center the United States, and many of our rehab patients are former trauma patients. About forty percent (40%) of our discharged patients, eligible for inpatient rehab treatment, are treated in our rehab unit, while the remaining sixty percent (60%) are treated in other facilities or in their homes. A significant number of these patients have no coverage. The existing 20 bed rehab unit will be moved to Turner Tower, which is being renovated, and ten (10) additional rehab beds will be realized through the conversion of the license for ten (10) med/surg beds, after which a thirty (30) bed rehab unit will be in Turner Tower. Twenty-four (24) of those beds will be located on the third floor, and the remaining six (6) rehab beds will be on the second floor. There will be no increase in our total licensed bed count of 631.

The Applicant currently operates fourteen (14) ORs and Special Procedure Rooms. None of these existing surgery suites are dedicated to outpatient surgery. Therefore, patients receiving outpatient surgery are incorporated into the inpatient surgery suites and schedule. This application will add three (3) dedicated outpatient surgery suites in the Turner Tower, plus shell in a fourth suite for later use as needed. The dedication of these surgery suites for outpatient surgery will free up existing suites for more inpatient procedures and expedite throughput. More importantly, this will result in a special area of the Applicant's campus where all outpatient surgery patients can present, receive services, and be discharged in a more efficient manner.

Finally, the Turner Tower is one of our more recently-constructed buildings, having been completed in 1992. As is well-known, Memphis sits on or close to the New Madrid fault, and the Turner Tower was designed and constructed to meet seismic safety requirements in effect at that time. When originally constructed, the lower floors were utilized for various hospital functions, and the upper floors were shelled in for future use. Those upper floors still stand empty. Since other renovations are taking place in Turner Tower with the approval of this project, there were efficiencies in renovating and building out the 4th Floor of the building at the same time. The 4th Floor will house a 24 med/surg bed unit, but there will be no increase in the licensed bed count of 631. The Applicant will be able to utilize these 24 beds for any med/surg purpose as other buildings and existing and needed services on campus are evaluated. Current estimates are that approximately $800,000 dollars will be saved by building out all floors now, rather than waiting for a next phase of renovation to the campus.

Approximately 85,580 GSF will be renovated, about 3,000 GSF of which is in the Chandler Building and the remainder in the Turner Tower. Even though the Turner Tower was completed around 1992, much of the building has remained empty, and several floors do not even have HVAC systems installed. Therefore, the term "renovated" is a little misleading. Major interior construction will occur. As one of the newest buildings on campus, Turner Tower is fully sprinkled and has a floor-to-floor height that will accommodate modern mechanical systems used in healthcare facilities. Costs are comparable to similar projects.

It is important that patients on The MED's campus be in buildings that are likely to withstand the shock of earthquakes and tremors. Fortunately, the Turner Tower was built to withstand expected earthquake shocks at the time it was constructed. Moving services into the Turner Tower will continue the placement of patients in more modern, efficient and seismic ready areas on campus and help free up older buildings for either retrofit or removal.

II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.

A. Describe the construction, modification and/or renovation of the facility (exclusive of major Medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of $5 million) and other facility projects (construction cost in excess of $2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.

If the project involves none of the above, describe the development of the proposal.

Response: Shelby County Health Care Corporation, d/b/a, Regional Medical Center at Memphis, 877 Jefferson Avenue, Memphis (Shelby County), Tennessee 38103 ("Applicant" or "The MED"), owned and managed by itself, files this Certificate of Need for (a) the conversion of the license for ten (10) med/surg beds to rehab beds, and (b) the relocation of its existing twenty (20) bed rehab unit, after which a thirty (30) bed rehab unit will be operated in Turner Tower; (c) the addition of three (3) operating rooms to be dedicated to outpatient surgery, which rooms will be operated in Turner Tower as a department of the Applicant; (d) the general renovation of Turner Tower, including the buildout of unused space for a twenty-four (24) bed unit which will be utilized as med/surg hospital beds; and (e) the relocation of an existing ten (10) bed med/surg unit to Turner Tower, which will result in six (6) staffed med/surg beds. Other than mentioned above, there are no new licensed beds and no major medical equipment involved with this project. The number of total licensed beds will not change. No other health services will be initiated or discontinued. It is proposed that Medicare, TennCare (Medicaid), commercially insured, and private-pay patients will continue to be served by the Applicant, which will continue to be licensed by the Tennessee Department of Health. The estimated project cost is anticipated to be approximately $28,400,000, including filing fee.

The MED traces its roots to the City of Memphis Hospital, built in 1936, consisting primarily of open wards for inpatient beds. Through the years, additions have been made to the campus as more demands were placed on the hospital and more services were offered. That original building, renamed the John Gaston Building, no longer exists. The City of Memphis transferred ownership of the hospital to Shelby County, and in around 1983/84 the hospital started doing business as Regional Medical Center at Memphis/The MED. Today, The MED is licensed for 631 hospital beds, and serves as a regional medical center for patients not only from Shelby County, but from an additional 30 Tennessee Counties and 10 other states.

From a historical point of view, the Applicant has not enjoyed financial success in the past as other hospitals in Memphis improved their respective campuses and added services. Following a brief period of time when a management company was brought in, a new senior administration was hired recently

(2010) to oversee the improvement of both the physical plant and to enhance patient services at the facility. Both the management company and new senior management have been able to cut expenses, streamline processes, rework contracts, enhance the quality of services, and improve the financial viability of The MED. This CON project is the next phase of planned improvements to the campus in an effort to further improve both the quality of services being provided to our patients and our physical plant. At present, there is no formally-adopted long range plan, but several areas of the campus continue to be studied by senior leadership, key department heads, and the Board of Directors.

See *Attachment B.III.A.1* for a property map and view of the existing campus at The MED.

The Applicant's primary service area is Shelby County. Approximately 88.5% of the Applicant's patients who originate in Tennessee were from Shelby County in 2011, according to the provisional JAR for that year. The MED provided 68,095 inpatient days to Tennessee residents in 2011, with 60,247 originating from Shelby County. With that said, the Applicant also provided care to patients from 31 total counties in Tennessee in 2011, and patients from at least 10 other states came to the Applicant for care in 2011. In addition to the 68,095 patient days provided to Tennessee residents, 22,677 inpatient days were provided to residents of other states, bringing the total inpatient days to 90,772. While this data emphasizes the "regional" nature of the Applicant's service area, for Tennessee purposes, Shelby County is our primary service area.

The Applicant currently operates a twenty (20) bed rehab unit in one of the older buildings on campus. These beds traditionally operate at a very high utilization, operating at 98.3%, 99.2%, 98.5% and 95.0% during 2008 – 2011, respectively. Rehab inpatient days have accounted for 6.4%, 7.1%, and 7.2% of our total inpatient days at our hospital for FY 2009 – FY 2011, respectively. Therefore, rehab is increasing its percentage of inpatient days provided at our hospital. Most of our rehab patients are referred from within the hospital. We have the third busiest trauma center the United States, and many of our rehab patients are former trauma patients. About forty percent (40%) of our discharged patients, eligible for inpatient rehab treatment, are treated in our rehab unit, while the remaining sixty percent (60%) are treated in other facilities or in their homes. A significant number of these patients have no coverage. The existing 20 bed rehab unit will be moved to Turner Tower, which is being renovated, and ten (10) additional rehab beds will be realized through the conversion of the license for ten (10) med/surg beds, after which a thirty (30) bed rehab unit will be in Turner Tower. Twenty-four (24) of those beds will be located on the third floor, and the remaining six (6) rehab beds will be on the second floor. There will be no increase in our total licensed bed count of 631.

See *Attachment B.III.A2* for a chart showing rehab bed utilization in Shelby County, 2008 – 2010. At the time of writing this application, not all Shelby County JARs have been filed, and many of the filed JARs are provisional. Therefore, this attachment contains the latest vetted data.

The Applicant currently operates fourteen (14) ORs and Special Procedure Rooms. At present, The MED has 8 ORs on the 4th Floor of the Chandler Building (built in1963), 1 Cysto Procedure Room in Chandler, 4th Floor, 4 Trauma ED ORs on the ground floor of the Jefferson Building (1981), and 1 OR in the Burn Unit on the Ground Floor of Turner Tower (1992/3). None of these existing surgery suites are dedicated to outpatient surgery. Therefore, patients receiving outpatient surgery are incorporated into the inpatient surgery suites and schedule. There have been numerous examples of outpatients arriving at The MED for surgery early in the morning, only to be assigned to a holding area awaiting time to have the procedure "worked in" to the existing schedule. Either the outpatient has surgery late in the day, or goes home only to come back the next day and await time in one of the surgery suites. Mixing inpatient and outpatient procedures create inefficiencies in the inpatient environment as more acute, more serious inpatient

surgeries receive priority, many times at the last minute. As stated earlier, The MED operates a Level I ER, and has the 3rd busiest Trauma Center in the nation.

This application will add three (3) dedicated outpatient surgery suites in the Turner Tower, plus shell in a fourth suite for later use as needed. The dedication of these surgery suites for outpatient surgery will free up existing suites for more inpatient procedures and expedite throughput for both inpatient and outpatient procedures. More importantly, this will result in a special area of the Applicant's campus where all outpatient surgery patients can more predictably present, receive services, and be discharged in a more efficient manner. Patients will be directed to a dedicated drop-off point where valet parking will be available, families will know the specific location of where their loved ones will be, and patients will be delivered to the curb following surgery. The resulting separate entrance, separate waiting area, separate registration, separate scheduling and separate location at The MED will improve patients' experience. Outpatient surgery at The MED will also become more efficient, reduce costs, and improve scheduling for both I/P and O/P surgery.

The assumption was made that at least 90% of all outpatient surgery procedures in the existing Chandler ORs would be performed in the new dedicated outpatient ORs. Such would result in full capacity for 2 dedicated outpatient ORs. In addition, the improved patient experience (mentioned above) will attract more patients to our outpatient surgery department. With these key assumptions in mind, it was decided that The MED's projected demand for dedicated outpatient surgery would require 3 ORs. In addition, sufficient space is available for a 4th dedicated OR, so that space will be shelled out during this buildout.

See *Attachment B.III.A.3* for a chart showing hospital surgery utilization in Shelby county, 2008 – 2010, and *Attachment B.III.A.4* for a multipage chart showing OR utilization in existing ASTCs in Shelby County, 2008 – 2011. (*Note: the hospital attachment does not contain data for 2011, because at the time of writing that year had not been vetted...the ASTC attachment does contain data for 2011, because that year had been vetted*)

Finally, the Turner Tower is one of our more recently-constructed buildings, having been completed in 1992. As is well-known, Memphis sits on or close to the New Madrid Fault, and the Turner Tower was designed and constructed to meet seismic safety requirements in effect at that time. When originally constructed, the lower floors were utilized for various hospital functions, and the upper floors were shelled in for future use. Those upper floors still stand empty. Since other renovations are taking place in Turner Tower with the approval of this project, there were efficiencies in renovating and building out the 4th Floor of the building at the same time. The 4th Floor will house a 24 med/surg bed unit, but there will be no increase in the licensed bed count of 631. The Applicant will be able to utilize these 24 beds for any med/surg purpose as other buildings and existing and needed services on campus are evaluated. Current estimates are that approximately $800,000 dollars will be saved by building out all floors now, rather than waiting for a next phase of renovation to the campus.

Almost all of the renovation entailed in this project will involve the Turner Tower, much of which is now empty, as follows:

The Basement will house a six (6) bed med/surg unit formerly housed in the Adams Building;

The Ground Floor will continue to be utilized by the current Burn Center;

The shelled first floor space will be built out to house the new 3 OR suite dedicated outpatient surgery department of the hospital, along with a shelled-in 4th OR;

There is an existing CCU Waiting Room on the second floor of Turner Tower, but that waiting room will be relocated to the adjacent Chandler Building. The vacated space will be renovated for 6 beds of the 30 total bed rehabilitation department. The hospital's Inpatient Pharmacy will continue to occupy its space on this floor;

The shelled-in third floor will be built out to accommodate 24 rehabilitation beds. Note that the existing 20 bed rehabilitation unit will be moved from the Adams Building to the Turner Tower. The Adams Building[1] was constructed in 1945. The current rehab unit there has twelve (12) semi-private rooms, and no longer meets today's requirements for rehabilitation beds. The total increase of ten rehabilitation beds will be accomplished by converting ten licensed med/surg beds to rehabilitation beds. Therefore, the "increase" in the rehabilitation department (from 20 beds to 30 beds) will be accomplished with no increase in hospital bed licensure; and

The shelled-in fourth floor will be built out to house 24 med/surg beds, again, with no increase in the number of licensed beds.

As a result of these changes, our "staffed" bed count will increase from 325 to 355, but there will be no increase in the number of licensed beds which will remain at 631.

Approximately 85,580 GSF will be renovated, about 3,000 GSF of which is in the Chandler Building and the remainder in the Turner Tower. Even though the Turner Tower was completed around 1992, much of the building has remained empty, and several floors do not even have HVAC systems installed. Therefore, the term "renovated" is a little misleading. Major interior construction will occur. As one of the newest buildings on campus, Turner Tower is fully sprinkled and has a floor-to-floor height that will accommodate modern mechanical systems used in healthcare facilities.

The CCU Waiting Room is now located in Turner Tower, but it will be moved to the Chandler Building where it will occupy approximately 3,000 GSF. The Square Footage and Cost Per Square Footage Chart indicates that Rehab will occupy approximately 22,400 GSF, Outpatient OR Department will occupy approximately 17,500 GSF, and further renovation on the Ground, 2nd and 4th Floors of Turner Tower will affect approximately 42,680 GSF. Total cost of construction will approximate $203 per GSF. As might be expected with this major buildout, in light of some major support systems now missing in the Tower, the anticipated cost is somewhere in between average costs of construction and average costs of renovation for hospital projects. This project is financially feasible, based on cost information gathered by the HSDA for hospital projects between 2009 and 2011, as seen in the next chart:

[1] The approval of this CON application will result in the removal of all clinical services from the Adams Building.

Hospital Construction Cost Per Square Foot

Years: 2009 – 2011

	Renovated Construction	New Construction	Total Construction
1st Quartile	$125.84/sq ft	$235.86/sq ft	$167.99/sq ft
Median	$177.60/sq ft	$274.63/sq ft	$249.32/sq ft
3rd Quartile	$273.69/sq ft	$324.00/sq ft	$301.74/sq ft

Source: CON approved applications for years 2009 through 2011

See *Attachment B.III.A.1* for a property map and view of the existing campus at The MED. Note the age of many of the buildings: Adams (1945), Rout (1956 and 1973), Chandler (1963), Jefferson (1981), Turner Tower (1992), Medplex (1994), and at least one support building constructed in 1942. Only the Turner Tower and the Medplex buildings were designed to meet seismic safety requirements in effect at the time of construction.

B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.

Response: The MED is licensed for 631 beds, but staffed only 325 beds last year. The "increase" of 10 rehab beds will be attained through the conversion of 10 unstaffed beds into rehab beds, with no increase in the licensed bed count.

The Applicant currently operates a twenty (20) bed rehab unit in one of the older buildings on campus. These beds traditionally operate at a very high utilization, operating at 98.3%, 99.2%, 98.5% and 95.0% during 2008 – 2011, respectively. Rehab inpatient days have accounted for 6.4%, 7.1%, and 7.2% of our total inpatient days at our hospital for FY 2009 – FY 2011, respectively. Therefore, rehab is increasing its percentage of inpatient days provided at our hospital. Most of our rehab patients are referred from within the hospital. We have the third busiest trauma center the United States, and many of our rehab patients are former trauma patients. About forty percent (40%) of our discharged patients, eligible for inpatient rehab treatment, are treated in our rehab unit, while the remaining sixty percent (60%) are treated in other facilities or in their homes. A significant number of these patients have no coverage. The existing 20 bed rehab unit will be moved to Turner Tower, which is being renovated, and ten (10) additional rehab beds will be realized through the conversion of the license for ten (10) med/surg beds, after which a thirty (30) bed rehab unit will be in Turner Tower. Twenty-four (24) of those beds will be located on the third floor, and the remaining six (6) rehab beds will be on the second floor. There will be no increase in our total licensed bed count of 631.

Finally, the Turner Tower is one of our more recently-constructed buildings, having been completed in 1992. When originally constructed, the lower floors were utilized for various hospital functions, and the upper floors were shelled in for future use. Those upper floors still stand empty. Since other renovations are taking place in Turner Tower with the approval of this project, there were efficiencies in renovating and building out the 4th Floor of the building at the same time. The 4th Floor will house a 24 med/surg bed unit, but there will be no increase in the licensed bed count of 631. The Applicant will be able to utilize these 24 beds for any med/surg purpose as other buildings and existing and needed services on campus are evaluated. Current estimates are that approximately $800,000 dollars will be saved by building out all floors now, rather than waiting for a next phase of renovation to the campus.

Since the 24 med/surg beds to be located on the 4th Floor of Turner Tower will also be realized by "increasing" the number of staffed beds from 325 to 355, there will be no increase in the total licensed bed count at The MED, which count shall remain at 631.

As our total licensed bed count will not change, there should be no negative impact on other hospitals in Memphis.

C. As the applicant, describe your need to provide the following health care services (if applicable to this application):

1. Adult Psychiatric Services
2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
3. Birthing Center
4. Burn Units
5. Cardiac Catheterization Services
6. Child and Adolescent Psychiatric Services
7. Extracorporeal Lithotripsy
8. Home Health Services
9. Hospice Services
10. Residential Hospice
11. ICF/MR Services
12. Long-term Care Services
13. Magnetic Resonance Imaging (MRI)
14. Mental Health Residential Treatment
15. Neonatal Intensive Care Unit
16. Non-Residential Methadone Treatment Centers
17. Open Heart Surgery
18. Positron Emission Tomography
19. Radiation Therapy/Linear Accelerator
20 Rehabilitation Services
21. Swing Beds

Response: Rehabilitation Services: The Applicant currently operates a twenty (20) bed rehab unit in one of the older buildings on campus. These beds traditionally operate at a very high utilization, operating at 98.3%, 99.2%, 98.5% and 95.0% during 2008 – 2011, respectively. Rehab inpatient days have accounted for 6.4%, 7.1%, and 7.2% of our total inpatient days at our hospital for FY 2009 – FY 2011, respectively. Therefore, rehab is increasing its percentage of inpatient days provided at our hospital. Most of our rehab patients are referred from within the hospital. We have the third busiest trauma center the United States, and many of our rehab patients are former trauma patients. About forty percent (40%) of our discharged patients, eligible for inpatient rehab treatment, are treated in our rehab unit, while the remaining sixty percent (60%) are treated in other facilities or in their homes. A significant number of these patients have no coverage. The existing 20 bed rehab unit will be moved to Turner Tower, which is being renovated, and ten (10) additional rehab beds will be realized through the conversion of the license for ten (10) med/surg beds, after which a thirty (30) bed rehab unit will be in Turner Tower. Twenty-four (24) of those beds will be located on the third floor, and the remaining six (6) rehab beds will be on the second floor. There will be no increase in our total licensed bed count of 631.

It is important to bear in mind that while data requested by the Joint Annual Reports tracks total rehab bed utilization and patient origin information, it does not track rehab bed utilization by county of origin. It was felt that the historic high utilization of the Applicant's rehab unit had to be a result of its Level I Emergency Room and Trauma Center.

To that end, The MED contracted with a nationally-known consulting firm (Murer Consultants, Inc.) to examine rehab bed utilization. Murer conducted both a population-based study and a discharge-based study to help determine the need for rehab beds at The MED. The population-based analysis centered on

three states: West Tennessee, Northern Mississippi, and Northeastern Arkansas, and involved geographic circles around Memphis. Based on the more conservative geographic "ring" of population around Memphis, Murer concluded that at least 206 rehab beds (at 100% occupancy) to 243 rehab beds (at 85% occupancy) would be needed in Memphis to properly serve rehab patients in an inpatient setting. Utilizing a wider geographic "ring" the conclusion was reached that 284 rehab beds (at 100% occupancy) to 334 rehab beds (at 85% occupancy) would be needed.

An analysis of discharges of patients from The MED's rehab unit resulted in another set of figures, more specific to just The MED. This analysis looked at specific data regarding patients who had been discharged, including DRG-specific information, average length of stay, and number of patient days in the rehab unit. By analyzing just those patients being discharged from The MED's rehab unit, the study showed a need at The MED for 35 rehab beds (at 100% occupancy) to 41 rehab beds (at 85% occupancy). This study showed that beds were needed at The MED to continue serving rehab patients with the following needs:

Discharge Based Analysis
Rehab Bed Need
The MED

Category	Rehab Bed Need
Stroke	2
Brain Injury	4
Neurological Disorders	1
Amputation	1
Polyarthritis incl. Rheumatoid Arth	0
Orthopedic with CC (Fx of Femur)	3
Major Multiple Trauma	15
Spinal Cord Injury	4
Pulmonary/Respiratory	1
Burns	4
Total Beds at 100% occupancy	35
Total Beds at 85% occupancy	41

Source: Murer Consultants, Inc., 06/2012

The conclusion reached in the Murer report was that The MED could easily support an additional ten (10) rehabilitation beds.

Please see *Attachment B.III.A.2* for a chart showing rehab bed utilization in Shelby County, 2008 – 2010.

D. Describe the need to change location or replace an existing facility.

Response: N/A.

E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of $1.5 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:

1. For fixed-site major medical equipment (not replacing existing equipment):

a. Describe the new equipment, including:

1. Total cost; (As defined by Agency Rule).
2. Expected useful life;
3. List of clinical applications to be provided; and
4. Documentation of FDA approval.

b. Provide current and proposed schedules of operations.

Response: N/A.

2. For mobile major medical equipment:
a. List all sites that will be served;
b. Provide current and/or proposed schedule of operations;
c. Provide the lease or contract cost.
d. Provide the fair market value of the equipment; and
e. List the owner for the equipment.

Response: N/A.

3. Indicate applicant's legal interest in equipment (*i.e.*, purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

Response: N/A.

III. (A) Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which must include:

1. **Size of site (*in acres*)**
2. **Location of structure on the site; and**
3. **Location of the proposed construction.**
4. **Names of streets, roads or highway that cross or border the site.**

Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.

Response:

1. The size of the medical complex approximates 18.55 Acres. Please see attached plot plan (*Attachment B.III.A.1*).

2. Please see *Attachment B.III.A.1.* This attachment indicates the location of the existing buildings on the site. Most of the build outs will be in Turner Tower, with about 3,000 GSF of renovation to the adjacent Chandler Building.

3. There is no proposed construction, as normally intimated by this question, as the space already exists. There will be a major buildout to Turner Tower, its position noted on *Attachment B.III.A.1.* When Turner Tower was completed in 1992, the upper floors were only shelled in, and remain empty to this day. This project will entail a major buildout, including HVAC and other mechanical systems, resulting in higher costs than might be anticipated in most renovation projects.

4. *Attachment B.III.A.1* shows that The MED is bounded by Jefferson Avenue, N. Pauline Street, Madison Avenue, and N. Dunlap Avenue. The site is downtown Memphis and is readily accessible to patients, family members, and other health care providers. Other hospitals are located nearby. This attachment also shows that other providers even own plots of land located within this block.

(B) Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

Response: *Attachment B.III.A.1* shows that The MED is bounded by Jefferson Avenue, N. Pauline Street, Madison Avenue, and N. Dunlap Avenue. The site is downtown Memphis, close to I-240 and is readily accessible to patients, family members, and other health care providers. Public transportation is available.

IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper.

NOTE: *DO NOT SUBMIT BLUEPRINTS*. Simple line drawings should be submitted and need not be drawn to scale.

Response: Please see *Attachment B.IV* (5 pages) for a footprint of the basement and floors 1 - 4 of the Turner Tower. Almost all of the renovation entailed in this project will involve the Turner Tower, much of which is now empty, as follows:

The Basement will house a six (6) bed med/surg unit formerly housed in the Adams Building;

The Ground Floor will continue to be utilized by the current Burn Center;

The shelled first floor space will be built out to house the new 3 OR suite dedicated outpatient surgery department of the hospital, along with a shelled-in 4th OR;

There is an existing CCU Waiting Room on the second floor of Turner Tower, but that waiting room will be relocated to the adjacent Chandler Building. The vacated space will be renovated for 6 beds of the 30 total bed rehabilitation department. The hospital's Inpatient Pharmacy will continue to occupy its space on this floor;

The shelled-in third floor will be built out to accommodate 24 rehabilitation beds. Note that the existing 20 bed rehabilitation unit will be moved from the Adams Building to the Turner Tower. The Adams Building[2] was constructed in 1945. The current rehab unit there has twelve (12) semi-private rooms, and no longer meets today's requirements for rehabilitation beds. The total increase of ten rehabilitation beds will be accomplished by converting ten licensed med/surg beds to rehabilitation beds. Therefore, the "increase" in the rehabilitation department (from 20 beds to 30 beds) will be accomplished with no increase in hospital bed licensure; and

The shelled-in fourth floor will be built out to house 24 med/surg beds, again, with no increase in the number of licensed beds.

As a result of these changes, our "staffed" bed count will increase from 325 to 355, but there will be no increase in the number of licensed beds which will remain at 631.

[2] The approval of this CON application will result in the removal of all clinical services from the Adams Building.

V. **For a Home Health Agency or Hospice, identify:**

1. **Existing service area by County;**
2. **Proposed service area by County;**
3. **A parent or primary service provider;**
4. **Existing branches; and**
5. **Proposed branches.**

Response: N/A.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with Tennessee Code Annotated § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care." The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. *Please type each question and its response on an 8 1/2" x 11" white paper*. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate "Not Applicable (N/A)."

QUESTIONS

NEED

1. **Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee's Health: Guidelines for Growth.**

   a. **Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.**

Response: Please see *Attachment Rehab Services* and *Attachment Renovation.*

Further, the State Health Plan lists the following Five Principles for Achieving Better Health, and are based on the Division's enacting legislation:

1. **The purpose of the State Health Plan is to improve the health of Tennesseans;**

The MED has been serving patients since 1936, and continues to this day. Many changes have been made at the hospital, and more are planned, including this project. The MED's goals are consistent with the State Health Plan, and this project will improve the health of Tennesseans.

2. **Every citizen should have reasonable access to health care;**

The MED accepts all patients who present for care, irrespective of their ability to pay.

3. **The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies, and the continued development of the state's health care system;**

The development of services at The MED has always been the result of attempts to meet the needs of Tennesseans. In today's competitive market, patients are drawn to more modern facilities. This project will result in improvement of both services and the physical plant in which to provide those services. Therefore, the approval of this application will enhance the "development" of hospital services in the proposed service area.

4. **Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers; and**

Tennessee is fortunate to have an excellent licensing division of the Department of Health. The Board of Licensing Health Care Facilities provides standards for and monitoring of licensed health care providers. This Applicant is fully licensed by the Department of Health and is certified by Medicare, Medicaid (TennCare), the Joint Commission on Accreditation of Healthcare Organizations (JCAHO, most recent survey 06/08/2011), and the Commission on Accreditation of Rehabilitation Facilities (CARF, most recent survey 11/01/2009).

5. **The state should support the development, recruitment, and retention of a sufficient and quality health care workforce.**

The Applicant is committed to providing safe working conditions for its staff and continuing education to its staff. The MED serves as a clinical rotation site for the UT Schools of Medicine and Nursing and other Allied Health Professional Schools. The MED is a member of THA, AHA, TNPath, and NAPH.

b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c).

Response: N/A.

2. **Describe the relationship of this project to the applicant facility's long-range development plans, if any.**

Response: From a historical point of view, the Applicant has not enjoyed financial success in the past as other hospitals in Memphis improved their respective campuses and added services. Following a brief period of time when a management company was brought in, a new senior administration was hired recently (2010) to oversee the improvement of both the physical plant and to enhance patient services at the facility. Both the management company and new senior management have been able to cut expenses, streamline processes, rework contracts, enhance the quality of services, and improve the financial viability of The MED. This CON project is the next phase of planned improvements to the campus in an effort to further improve both the quality of services being provided to our patients, and our physical plant. At present, there is no formally-adopted long range plan, but several areas of the campus continue to be studied by senior leadership, key department heads, and the Board of Directors.

3. **Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. Please submit the map on 8 1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).**

Response: The Applicant's primary service area is Shelby County. Approximately 88.5% of the Applicant's patients who originate in Tennessee were from Shelby County in 2011, according to the provisional JAR for that year. The MED provided 68,095 inpatient days to Tennessee residents in 2011, with 60,247 originating from Shelby County. With that said, the Applicant also provided care to patients from 31 total counties in Tennessee in 2011, and patients from at least 10 other states came to the Applicant for care in 2011. In addition to the 68,095 patient days provided to Tennessee residents, 22,677 inpatient days were provided to residents of other states, bringing the total inpatient days to 90,772. While this data emphasizes the "regional" nature of the Applicant's service area, for Tennessee purposes, Shelby County is our primary service area.

Please see *Attachment C.Need.3* for a map of the service area.

4. A. Describe the demographics of the population to be served by this proposal.

Response: Our proposed service area is Shelby County. The projected population for the next 4 years, according to the TN Department of Health, is as follows:

2012	949,665
2013	956,126
2014	963,097
2015	970,591
2016	976,726

In addition, U.S. Census Bureau data for the U.S., State and Shelby County is supplied as *Attachment C.Need.4.A.* This attachment shows that whereas 13.4% of the 2010 Tennessee population was over 65, only 10.4% of Shelby County population was aged. Per capita annual income in Shelby County was $25,002 from 2006 - 2010, whereas Tennessee had an average per capita income of $23,722 for the same reporting period. Median household income for 2006 – 2010 for Shelby County totaled $44,705, and comparable income for the State was $43,314. Finally, 16.5% of Tennesseans live below the poverty level, whereas 19.7% of Shelby County residents live below the poverty level.

See chart below:

Selected Demographic Estimates for Shelby County/Tennessee
(Source: U.S. Census Quickfacts)

Demographics	Shelby Co.	Tennessee	U.S.
65+	10.4%	13.4%	13.0%
Per Capita $	$25,002	$23,722	$27,334
Household $	$44,705	$43,314	$51,914
Below Pov. Lvl	19.7%	16.5%	13.8%
Pop/Sq. Mile	1,216	153.9	87.4
Home Owners	61.7%	69.6%	66.6%
White	43.6%	77.6%	72.4%
Black	52.3%	16.7%	12.6%

B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

Response: According to the U.S. Department of Health and Human Services, there are 58 Medically Underserved Area tracts in Shelby County. In addition, the same source shows that there are 113 census tracts that are Health Professional Shortage Areas. See *Attachment C.Need.4.B.*

Further, the previous chart shows that Shelby County has a high percentage of racial minorities, and both per capita income and average household income for Shelby County compare favorably with both Tennessee and the nation. The MED accepts all patients who present for care, irrespective of their ability to pay. The approval of this project will only enhance the care delivered to all patients at The MED, including minorities and low income patients.

5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.

Response: Historic rehab utilization is shown in *Attachment B.III.A.2.* Overall occupancy was approximately 45.0% in 2008, 66% in 2009, 61% in 2010, and 69% in 2011. The same respective years for The MED only saw 98.3%, 99.2%, 98.5%, and 95.8%. *(Note: 2011 data is from provisional JAR.)*

Historic hospital surgery utilization is shown in *Attachment B.III.A.3.* Overall, the number of procedures from 2008 to 2011 totaled 86,831, 93,158, 92,010, and 98,023. The same respective years for The MED only saw 8,801, 13,189, 13,098, and 13,002. *(Note: 2011 data is from provisional JAR.)*

Historic ASTC surgery utilization is shown in *Attachment B.III.A.4.* Overall, the number of procedures from 2008 to 2011 totaled 171,548, 173,056, 189,674, and 190,634. The MED does not operate an ASTC.

Historic total hospital inpatient utilization is shown in *Attachment C.Need.5.* Overall, the occupancy rate of hospitals in Shelby County for 2008 to 2011 averaged 59.2%, 57.8%, 56.9% and 57.7%. The same respective years for the Med only averaged 52.9%, 49.0%, 43.9% and 41.9%.

SUPPLEMENTAL

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology must include detailed calculations or documentation from referral sources, and identification of all assumptions.

Response: Historic rehab utilization is shown in *Attachment B.III.A.2.* Overall occupancy was approximately 45.0% in 2008, 66% in 2009, 61% in 2010, and 69% in 2011. The same respective years for The MED only saw 98.3%, 99.2%, 98.5%, and 95.8%. *(Note: 2011 data is from provisional JAR.)*

Historic hospital surgery utilization is shown in *Attachment B.III.A.3.* Overall, the number of procedures from 2008 to 2011 totaled 86,831, 93,158, 92,010, and 98,023. The same respective years for The MED only saw 8,801, 13,189, 13,098, and 13,002. *(Note: 2011 data is from provisional JAR.)*

Historic ASTC surgery utilization is shown in *Attachment B.III.A.4.* Overall, the number of procedures from 2008 to 2011 totaled 171,548, 173,056, 189,674, and 190,634. The MED does not operate an ASTC.

Historic total hospital inpatient utilization is shown in *Attachment C.Need.5.* Overall, the occupancy rate of hospitals in Shelby County for 2008 to 2011 averaged 59.2%, 57.8%, 56.0% and 57.7%. The same respective years for the Med only averaged 52.9%, 49.0%, 43.9% and 41.9%.

The results of the discharge-based Murer study showed that The MED could fully occupy 35 rehab beds at 100% or 41 beds at 85%. An extremely conservative projection is that our 30 bed rehab unit will operate at 75% in the first year and 85% in the second year.

Projected hospital outpatient surgery utilization is shown in *Attachment C.Need.7.* Based on historic utilization, the renegotiation of contracts and the fact that future outpatient surgeries will have their own dedicated unit, the following chart is given as a sample of the projected increase in a few selected outpatient surgery encounters in Year 1:

Specialty	2011 Encounters	Year 1 Encounters
Otolaryngology	116	143
Obstetrics	217	244
Orthopedics	362	464
Plastic Surgery	166	218
General Surgery	339	365
Urology	164	189
Total	1,364	1,623

The above chart indicates an estimated approximate 19% increase in the number of encounters. Note that the total encounters for 2011 (1,364) does not equal the number of encounters in our JAR (which correctly reported 1,418 encounters). There were an 54 dental and ophthalmic encounters in 2011 that are not reported in the chart, as these types of encounters will not be relocated at the present time. The

cost of equipment and instruments needed to relocate these types of encounters to the new outpatient surgery suites are presently felt to be prohibitive, based on low utilization. Accordingly, these types of encounters will continue to be performed in the Chandler Building until such time as the cost outlay to "move" such encounters to the new outpatient surgery suites are financially justified. In summation, the chart above represents those types of procedures that will be relocated to the new outpatient surgery department.

The conservative assumption was made that at least 90% of all outpatient surgery procedures in the existing Chandler ORs would be performed in the new dedicated outpatient ORs. Such would result in full capacity for 2 dedicated outpatient ORs. In addition, the improved patient experience (mentioned above) will attract more patients to our outpatient surgery department. With these key assumptions in mind, it was decided that The MED's projected demand for dedicated outpatient surgery would require 3 ORs. In addition, sufficient space is available for a 4th dedicated OR, so that space will be shelled out during this buildout.

Projected hospital utilization, taken from the Projected Data Chart – Full Hospital, shows that The MED expects to provide 89,329 and 92,902 patient days of care in Years 1 and 2, respectively.

ECONOMIC FEASIBILITY

1. **Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.**

-- **All projects should have a project cost of at least $3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)**

-- **The cost of any lease should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater.**

-- **The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.**

-- **For projects that include new construction, modification, and/or renovation; documentation must be provided from a contractor and/or architect that support the estimated construction costs.**

Response: The Project Costs Chart is completed. Approximately 85,580 GSF will be renovated, about 3,000 GSF of which is in the Chandler Building and the remainder in the Turner Tower. Even though the Turner Tower was completed around 1992, much of the building has remained empty, and several floors do not even have HVAC systems installed. Therefore, the term "renovated" is a little misleading. Major interior construction will occur. As one of the newest buildings on campus, Turner Tower is fully sprinkled and has a floor-to-floor height that will accommodate modern mechanical systems used in healthcare facilities. As a courtesy, three additional Project Costs Charts are given, breaking out the 3 parts of this project. Please see *Attachment C.EF.1*, which is a letter from the President/CEO of the project manager stating that the construction costs estimate is sufficient for this project.

The CCU Waiting Room is now located in Turner Tower, but it will be moved to the Chandler Building where it will occupy approximately 3,000 GSF. The Square Footage and Cost Per Square Footage Chart indicates that Rehab will occupy approximately 22,400 GSF, Outpatient OR Department will occupy approximately 17,500 GSF, and further renovation on the Ground, 2nd and 4th Floors of Turner Tower will affect approximately 42,680 GSF. Total cost of construction will approximate $203 per GSF. As might be expected with this major buildout, in light of some major support systems now missing in the Tower, the anticipated cost is somewhere in between average costs of construction and average costs of renovation for hospital projects. This project is financially feasible, based on cost information gathered by the HSDA for hospital projects between 2009 and 2011, as seen in the next chart:

Hospital Construction Cost Per Square Foot

Years: 2009 – 2011

	Renovated Construction	New Construction	Total Construction
1st Quartile	$125.84/sq ft	$235.86/sq ft	$167.99/sq ft
Median	$177.60/sq ft	$274.63/sq ft	$249.32/sq ft
3rd Quartile	$273.69/sq ft	$324.00/sq ft	$301.74/sq ft

Source: CON approved applications for years 2009 through 2011

Please see *Attachment C.EF.1*, which is a letter from the Project Manager for this project.

PROJECT COSTS CHART
(Total Project)

A. Construction and equipment acquired by purchase.

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1.	Architectural and Engineering Fees	942,030
2.	Legal, Administrative (Excluding CON Filing Fee), Consultant	860,000
3.	Acquisition of Site	
4.	Preparation of Site	
5.	Construction Costs	17,368,137
6.	Contingency Fund	2,718,023
7.	Fixed Equipment (Not included in Construction Contract)	3,613,000
8.	Moveable Equipment (List all equipment over $50,000)*	2,853,810
9.	Other (Specify)	
	Subsection A Total	**28,355,000**

B. Acquisition by gift, donation, or lease.

1.	Facility (Inclusive of Building and Land) (FMV)	0
2.	Building Only	
3.	Land Only	
4.	Equipment (Specify)	
5.	Other (Specify)	
	Subsection B Total	**0**

C. Financing costs and fees

1.	Interim Financing	
2.	Underwriting Costs	
3.	Reserve for One Year's Debt Service	
4.	Other (Specify)	
	Subsection C Total	**0**

D.	Estimated Project Cost (A + B + C)		$ 28,355,000
E.	CON Filing Fee		$ 45,000
F.	Total Estimated Project Cost (D + E)	TOTAL	$ 28,400,000

PROJECT COSTS CHART (Rehab Unit, only)

A. Construction and equipment acquired by purchase.

1.	Architectural and Engineering Fees	260,684
2.	Legal, Administrative (Excluding CON Filing Fee), Consultant	95,700
3.	Acquisition of Site	
4.	Preparation of Site	
5.	Construction Costs	3,890,000
6.	Contingency Fund	428,373
7.	Fixed Equipment (Not included in Construction Contract)	672,000
8.	Moveable Equipment (List all equipment over $50,000)*	558,150
9.	Other (Specify)	
	Subsection A Total	**5,904,907**

B. Acquisition by gift, donation, or lease.

1.	Facility (Inclusive of Building and Land) (FMV)	0
2.	Building Only	
3.	Land Only	
4.	Equipment (Specify)	
5.	Other (Specify)	
	Subsection B Total	**0**

C. Financing costs and fees

1.	Interim Financing	
2.	Underwriting Costs	
3.	Reserve for One Year's Debt Service	
4.	Other (Specify)	
	Subsection C Total	**0**

D.	Estimated Project Cost (A + B + C)		**$ 5,904,907**
E.	CON Filing Fee (Prorated)		$
F.	Total Estimated Project Cost (D + E)	TOTAL	$

PROJECT COSTS CHART
(Outpatient OR, only)

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A.	Construction and equipment acquired by purchase.	
1.	Architectural and Engineering Fees	286,000
2.	Legal, Administrative (Excluding CON Filing Fee), Consultant	448,800
3.	Acquisition of Site	
4.	Preparation of Site	
5.	Construction Costs	4,115,000
6.	Contingency Fund	917,950
7.	Fixed Equipment (Not included in Construction Contract)	2,101,000
8.	Moveable Equipment (List all equipment over $50,000)*	786,825
9.	Other (Specify)	
	Subsection A Total	**8,655,575**
B.	Acquisition by gift, donation, or lease.	
1.	Facility (Inclusive of Building and Land) (FMV)	0
2.	Building Only	
3.	Land Only	
4.	Equipment (Specify)	
5.	Other (Specify)	
	Subsection B Total	**0**
C.	Financing costs and fees	
1.	Interim Financing	
2.	Underwriting Costs	
3.	Reserve for One Year's Debt Service	
4.	Other (Specify)	
	Subsection C Total	**0**
D.	Estimated Project Cost (A + B + C)	**$ 8,655,575**
E.	CON Filing Fee (Prorated)	$
F.	Total Estimated Project Cost (D + E) TOTAL	$

PROJECT COSTS CHART
(Turner Tower/Infrastructure, phase 3)

2012 AUG 10 PM 3 44

A. Construction and equipment acquired by purchase.

1.	Architectural and Engineering Fees	395,346
2.	Legal, Administrative (Excluding CON Filing Fee), Consultant	315,500
3.	Acquisition of Site	
4.	Preparation of Site	
5.	Construction Costs	9,363,137
6.	Contingency Fund	1,371,700
7.	Fixed Equipment (Not included in Construction Contract)	840,000
8.	Moveable Equipment (List all equipment over $50,000)*	1,508,835
9.	Other (Specify)	
	Subsection A Total	**13,794,518**

B. Acquisition by gift, donation, or lease.

1.	Facility (Inclusive of Building and Land) (FMV)	0
2.	Building Only	
3.	Land Only	
4.	Equipment (Specify)	
5.	Other (Specify)	
	Subsection B Total	**0**

C. Financing costs and fees

1.	Interim Financing	
2.	Underwriting Costs	
3.	Reserve for One Year's Debt Service	
4.	Other (Specify)	
	Subsection C Total	**0**

D.	Estimated Project Cost (A + B + C)		**$ 13,794,518**
E.	CON Filing Fee (Prorated)		$
F.	Total Estimated Project Cost (D + E)	TOTAL	$

2. **Identify the funding sources for this project.**

   a. **Please check the applicable item(s) below and briefly summarize how the project will be financed.** ***(Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.)***

___ **A. Commercial loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;**

___ **B. Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;**

___ **C. General obligation bonds—Copy of resolution from issuing authority or minutes from the appropriate meeting.**

___ **D. Grants--Notification of intent form for grant application or notice of grant award; or**

_X_ **E. Cash Reserves--Appropriate documentation from Chief Financial Officer.**

___ **F. Other—Identify and document funding from all other sources.**

Response: This project will be financed by cash reserves. The financials of the Applicant indicate that funds are available. In addition, J. Richard Wagers, Jr., The MED's Sr. Executive Vice President and CFO has furnished a letter attesting that The MED has sufficient assets to implement this project (see *Attachment C.EF.2*).

3. **Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.**

Response: Approximately 85,580 GSF will be renovated, about 3,000 GSF of which is in the Chandler Building and the remainder in the Turner Tower. Even though the Turner Tower was completed around 1992, much of the building has remained empty, and several floors do not even have HVAC systems installed. Therefore, the term "renovated" is a little misleading. Major interior construction will occur. As one of the newest buildings on campus, Turner Tower is fully sprinkled and has a floor-to-floor height that will accommodate modern mechanical systems used in healthcare facilities.

The CCU Waiting Room is now located in Turner Tower, but it will be moved to the Chandler Building where it will occupy approximately 3,000 GSF. The Square Footage and Cost Per Square Footage Chart indicates that Rehab will occupy approximately 22,400 GSF, Outpatient OR Department will occupy approximately 17,500 GSF, and further renovation on the Ground, 2nd and 4th Floors of Turner Tower will affect approximately 42,680 GSF. Total cost of construction will approximate $203 per GSF. As might be expected with this major buildout, in light of some major support systems now missing in the Tower, the anticipated cost is somewhere in between average costs of construction and average costs of renovation for hospital projects. This project is financially feasible, based on cost information gathered by the HSDA for hospital projects between 2009 and 2011, as seen in the next chart:

Hospital Construction Cost Per Square Foot

Years: 2009 – 2011

	Renovated Construction	New Construction	Total Construction
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3rd Quartile	$273.69/sq ft	$324.00/sq ft	$301.74/sq ft

Source: CON approved applications for years 2009 through 2011

Please see *Attachment C.EF.1*, which is a letter from the Project Manager for this project.

4. Complete Historical and Projected Data Charts on the following two pages--Do not modify the Charts provided or submit Chart substitutions! Historical Data Chart represents revenue and expense information for the last three (3) years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the Proposal Only (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

Response: Historical and Projected Data Charts are completed. As requested, there is one Historical Data Chart for the entire facility, one Projected Data Chart for the entire facility, one Projected Data Chart for the 30 bed Rehab unit, and one Projected Data Chart for the Outpatient ORs.

HISTORICAL DATA CHART – ENTIRE HOSPITAL

Give information for the last *three (3)* years for which complete data are available for the facility or agency. The fiscal year begins in July (month).

Response: In Thousands:

		2011	2010	2009
A.	Utilization/Occupancy Rate (Patient Days)	90,772	94,450	104,609
B.	Revenue from Services to Patients			
	1. Inpatient Services	847,128	833,753	925,328
	2. Outpatient Services	125,519	111,855	124,584
	3. Emergency Services	157,181	140,071	156,010
	4. Other Operating Revenue (Specify) Retail Pharmacy/Grants/Gov Support	107,096	53,402	46,959
	Gross Operating Revenue	**1,236,923**	**1,139,081**	**1,252,881**
C.	Deductions from Operating Revenue			
	1. Contractual Adjustments	556,790	518,316	607,071
	2. Provision for Charity Care	257,038	250,673	295,268
	3. Provision for Bad Debt	85,606	105,585	76,395
	Total Deductions	**899,434**	**874,575**	**978,734**
	NET OPERATING REVENUE	**337,488**	**264,506**	**274,147**
D.	Operating Expenses			
	1. Salaries and Wages	137,301	132,453	155,351
	2. Physician's Salaries and Wages	23,365	22,845	22,812
	3. Supplies	49,878	47,149	54,585
	4 . Taxes			
	5 . Depreciation	11,029	11,754	13,022
	6. Rent			
	7. Interest, other than Capital	104	364	238
	8. Management Fees:			
	a. Fees to Affiliates			
	b. Fees to Non-Affiliates			
	9. Other Expenses (Specify) ATTACHED	68,703	68,444	78,937
	Total Operating Expenses	**290,379**	**283,010**	**324,946**
E.	Other Revenue (Expenses)-Net (Specify) Attached	27,324	24,035	30,582
	NET OPERATING INCOME (LOSS)	**74,433**	**5,532**	**(20,217)**
F.	Capital Expenditures			
	1. Retirement of Principal			
	2. Interest			
	Total Capital Expenditure	**0**	**0**	**0**
	NET OPERATING INCOME (LOSS) LESSCAPITAL EXPENDITURES	**74,433**	**5,532**	**(20,217)**

HISTORICAL DATA CHART – ENTIRE HOSPITAL

D.9. OTHER EXPENSES (in thousands)

	2011	2010	2009
Insurance	5,861	5,980	6,407
Purchase Medical Services	22,889	23,425	25,741
Other Expenses	22,079	22,699	28,609
Operation of Plant	13,107	11,301	12,017
Lease Expense	4,767	5,039	6,162
Total	68,703	68,444	78,937

E. OTHER REVENUE (in thousands)

	2011	2010	2009
Investment Income	1,090	(3,903)*	1,116
EHR Incentive Payment	0	0	0
Shelby County Support	26,234	27,938	29,466
Total	27,324	24,035	30,582

* *Investment Write-off in 2010 created loss that year*

PROJECTED DATA CHART
(Hospital – in Thousands)

Give information for the two (2) years following the completion of this project. The fiscal year begins in July (month).

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		Yr-1	Yr-2
A.	Utilization/Occupancy (Patient Days)	89,329	92,902
B.	Revenue from Services to Patients		
	1. Inpatient Services	855,731	894,239
	2. Outpatient Services	147,753	154,402
	3. Emergency Services	204,040	206,081
	4. Other Operating Revenue (Specify) Retail Pharmacy/Grants/Gov Support	82,903	82,996
	Gross Operating Revenue	**1,290,427**	**1,337,718**
C.	Deductions from Operating Revenue		
	1. Contractual Adjustments	574,248	597,242
	2. Provision for Charity Care	288,772	300,335
	3. Provision for Bad Debt	90,048	93,654
	Total Deductions	**953,068**	**991,231**
	NET OPERATING REVENUE	**337,359**	**346,487**
D.	Operating Expenses		
	1. Salaries and Wages	152,162	155,967
	2. Physician's Salaries and Wages (Contracted)	25,616	26,128
	3. Supplies	53,938	55,016
	4 . Taxes		
	5 . Depreciation	16,000	18,500
	6. Rent		
	7. Interest, other than Capital		
	8. Management Fees:		
	a. Fees to Affiliates		
	b. Fees to Non-Affiliates		
	9. Other Expenses (Specify) Attached	83,359	84,158
	Total Operating Expenses	**331,075**	**339,770**
E.	Other Revenue (Expenses)-Net (Specify) Attached	31,116	29,316
	NET OPERATING INCOME (LOSS)	**37,400**	**36,033**
F.	Capital Expenditures		
	1. Retirement of Principal		
	2. Interest (on Letter of Credit)		
	Total Capital Expenditure		
	NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	**37,400**	**36,033**

OTHER EXPENSES
(Hospital – in Thousands)
PROJECTED DATA CHART

Item D 9 -- Other Expenses	Year 1	Year 2
Purchased Medical Services	28,799	28,831
Other Expenses	34,143	34,485
Operation of Plant	12,974	13,233
Insurance	3,052	3,174
Lease Expense	4,391	4,436
Total	**$83,359**	**$84,158**

E. OTHER REVENUE
(in thousands)

	Year 1	Year 2
Investment Income	2,000	2,500
EHR Incentive Payment	2,300	0
Shelby County Support	26,816	26,816
Total	31,116	29,316

PROJECTED DATA CHART
(Rehab Unit, only)

Give information for the two (2) years following the completion of this project. The fiscal year begins in July (month)

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		Yr-1	Yr-2
A.	Utilization/Occupancy (Patient Days)	8,213	9,308
B.	Revenue from Services to Patients		
	1. Inpatient Services	36,505,695	41,373,122
	2. Outpatient Services		
	3. Emergency Services		
	4. Other Operating Revenue (Specify)_____		
	Gross Operating Revenue	**36,505,695**	**41,373,122**
C.	Deductions from Operating Revenue		
	1. Contractual Adjustments	19,082,242	21,626,540
	2. Provision for Charity Care	8,899,701	10,086,329
	3. Provision for Bad Debt	2,555,399	2,896,119
	Total Deductions	**30,537,342**	**34,608,988**
	NET OPERATING REVENUE	**5,968,353**	**6,764,134**
D.	Operating Expenses		
	1. Salaries and Wages	3,400,382	3,720,432
	2. Physician's Salaries and Wages (Contracted)		
	3. Supplies	150,243	170,276
	4 . Taxes		
	5 . Depreciation		
	6. Rent		
	7. Interest, other than Capital		
	8. Management Fees:		
	a. Fees to Affiliates		
	b. Fees to Non-Affiliates		
	9. Other Expenses (Specify) Attached	1,151,499	1,293,432
	Total Operating Expenses	**4,702,124**	**5,184,140**
E.	Other Revenue (Expenses)-Net (Specify)		
	NET OPERATING INCOME (LOSS)	**1,266,229**	**1,579,994**
F.	Capital Expenditures		
	1. Retirement of Principal		
	2. Interest (on Letter of Credit)		
	Total Capital Expenditure		
	NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	**1,266,229**	**1,579,994**

OTHER EXPENSES
(Rehab Unit, only)
PROJECTED DATA CHART

Item D 9 -- Other Expenses	Year 1	Year 2
Dues and Membership	7,000	7,000
Equipment Lease	78,000	78,000
Pharmacy	589,944	668,603
Laboratory	263,291	298,396
Respiratory	48,229	54,660
Radiology	112,239	127,204
Surgery	25,461	28,856
Departmental	25,335	28,713
Other	2,000	2,000
Total	1,151,499	1,293,432

PROJECTED DATA CHART
(Outpatient OR, only)

Give information for the two (2) years following the completion of this project. The fiscal year begins in July (month)

		Yr-1	Yr-2	Yr-3
A.	Utilization/Occupancy (number of encounters)	1,623	1,889	2,164
B.	Revenue from Services to Patients			
	1. Inpatient Services			
	2. Outpatient Services	17,816,600	21,773,500	26,190,400
	3. Emergency Services			
	4. Other Operating Revenue (Specify)_____			
	Gross Operating Revenue	**17,816,600**	**21,773,500**	**26,190,400**
C.	Deductions from Operating Revenue			
	1. Contractual Adjustments	9,915,800	11,942,200	14,247,200
	2. Provision for Charity Care	3,741,500	4,572,400	5,500,000
	3. Provision for Bad Debt	1,425,300	1,741,900	2,095,200
	Total Deductions	**15,082,600**	**18,256,500**	**21,842,400**
	NET OPERATING REVENUE	**2,734,000**	**3,517,000**	**4,348,000**
D.	Operating Expenses			
	1. Salaries and Wages	1,295,000	1,363,000	1,493,000
	2. Physician's Salaries and Wages (Contracted)	25,000	25,800	26,600
	3. Supplies	708,000	853,000	1,012,000
	4 . Taxes			
	5 . Depreciation	732,000	732,000	738,000
	6. Rent			
	7. Interest, other than Capital			
	8. Management Fees:			
	a. Fees to Affiliates			
	b. Fees to Non-Affiliates	180,000	180,000	180,000
	9. Other Expenses (Specify) Attached	374,800	438,900	459,100
	Total Operating Expenses	**3,314,800**	**3,592,700**	**3,908,700**
E.	Other Revenue (Expenses)-Net (Specify)			
	NET OPERATING INCOME (LOSS)	**(580,800)**	**(75,700)**	**439,300**
F.	Capital Expenditures			
	1. Retirement of Principal			
	2. Interest (on Letter of Credit)			
	Total Capital Expenditure			
	NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	**(580,800)**	**(75,700)**	**439,300**

OTHER EXPENSES
(Outpatient OR, only)
PROJECTED DATA CHART

Item D 8 -- Other Expenses	Year 1	Year 2	Year 3
Purchased Services	48,900	57,800	67,400
Utilities	211,200	217,700	224,200
Office/Misc Supplies	5,000	5,000	5,000
Misc Equipment Rental	6,000	6,200	6,400
Telephone	5,000	5,200	5,400
Marketing Expense	6,000	6,200	6,400
Travel	15,000	15,500	16,000
Maintenance contracts	2,000	35,000	36,100
Printing & Forms	2,400	2,500	2,600
Training/Employee	9,000	9,000	9,000
Recruitment	1,500	1,500	1,500
Dues & Subscriptions	2,500	2,600	2,700
Licenses & Fees	2,500	2,600	2,700
Accounting & Audit Fees	15,000	15,500	16,000
Hazardous Waste	2,400	2,500	2,600
Computer Support	14,400	14,400	14,400
Minor Office Equipment Purchases	7,100	19,800	20,400
Office Equipment Maintenance & Repairs	1,200	1,200	1,200
Miscellaneous Expense	17,700	18,700	19,100
Total	**$374,800**	**$438,900**	**$459,100**

5. **Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.**

SUPPLEMENTAL

Response: The MED's 2011 JAR indicates that the approximate average inpatient gross charge per patient day, average deduction, and the average net charge per patient day were:

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2011 $9,332, $7,820, and $1,512.

It is projected that these respective inpatient numbers will be:

Yr 1 $9,580, $8,028, and $1,552; and
Yr 2 $9,626, $8,067, and $1,559.

The hospital will have a positive cash flow in Year 1 and succeeding years.

Rehab's historic respective average numbers per patient day (gross, deductions, net) were approximately:

2009 $4,489, $3,746 and $743;
2010 $4,418, $3,700, and $718; and
2011 $4,446, $3,740, and $706.

It is projected that these numbers will approximate:

Yr 1 $4,445, $3,718, and $727; and
Yr 2 $4,445, $3,718, and $727.

Outpatient Surgery's historic respective average numbers per procedure (gross, deductions, net) were:

2009 $9,510, $8,170 and $1,340;
2010 $9,957, $8,939, and $1,018; and
2011 $10,455, $9,191, and $1,264.

It is projected that these numbers will approximate:

Yr 1 $10,978, $9,293, and $1,685; and
Yr 2 $11,526, $9,665, and $1,861.

6. **A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.**

Response: The MED's 2011 JAR indicates that the approximate average inpatient gross charge per patient day, average deduction, and the average net charge per patient day were:

2011 $9,332, $7,820, and $1,512.

It is projected that these respective inpatient numbers will be:

Yr 1 $9,580, $8,028, and $1,552; and
Yr 2 $9,626, $8,067, and $1,559.

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2011 $10,455, $9,191, and $1,264.

It is projected that these numbers will approximate:

Yr 1 $10,978, $9,293, and $1,685; and
Yr 2 $11,526, $9,665, and $1,861.

B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

Response: Please see *Attachment C.EF.6.B* for a listing of inpatient charges for hospitals in Shelby County in 2010, the most recent year for which JARs have been vetted. Please note that the data provided is for inpatient services, only, as directed.

7. **Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.**

Response: All of the Projected Data Charts indicate sufficient revenue to maintain cost-effectiveness. Obviously, income is dependent upon rendering services to a sufficient number of patients.

The Hospital itself has reported profitable years since 2010, the year the new management team was hired. In fact, The MED has increased its revenue to the extent it has sufficient cash reserves to fund this project. Financial viability has been ensured by improvements made at the hospital, including cutting expenses, streamlining processes, reworking contracts, enhancing the quality of services, and improving the financial viability of The MED. This CON project is the next phase of planned improvements to the campus in an effort to further improve both the quality of services being provided to our patients and our physical plant.

The rehabilitation unit has contributed positively to the hospital's margin for years, and that is anticipated to continue. The 20 bed unit has operated at or near 100% during recent memory. This high utilization is an obvious result of the Level I ER and extremely busy Trauma Center at The MED. These services will continue at the hospital, and will continue to serve as a major referral source for the rehab unit.

Likewise, outpatient surgery has generated revenue in the past, and this improvement in the provision of outpatient surgery will have a positive impact on utilization and revenue for The MED. Based on historic utilization, the renegotiation of contracts and the fact that future outpatient surgeries will have their own dedicated unit, the following chart is given as a sample of the projected increase in a few selected outpatient surgery encounters in Year 1:

Specialty	2011 Encounters	Year 1 Encounters
Otolaryngology	116	143
Obstetrics	217	244
Orthopedics	362	464
Plastic Surgery	166	218
General Surgery	339	365
Urology	164	189
Total	1,364	1,623

The above chart indicates an estimated approximate 19% increase in the number of encounters. Note that the total encounters for 2011 (1,364) does not equal the number of encounters in our JAR (which correctly reported 1,418 encounters). There were an 54 dental and ophthalmic encounters in 2011 that are not reported in the chart, as these types of encounters will not be relocated at the present time. The cost of equipment and instruments needed to relocate these types of encounters to the new outpatient surgery suites are presently felt to be prohibitive, based on low utilization. Accordingly, these types of encounters will continue to be performed in the Chandler Building until such time as the cost outlay to "move" such encounters to the new outpatient surgery suites are financially justified. In summation, the chart above represents those types of procedures that will be relocated to the new outpatient surgery department.

It is important for The MED to continue improving its departments that generate positive cash flow, in order to continue providing services for those who cannot pay for their health care.

8. **Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.**

Response: All of the Projected Data Charts indicate sufficient revenue to maintain cost-effectiveness. Obviously, income is dependent upon rendering services to a sufficient number of patients.

The Hospital itself has reported profitable years since 2010, the year the new management team was hired. In fact, The MED has increased its revenue to the extent it has sufficient cash reserves to fund this project. Financial viability has been ensured by improvements made at the hospital, including cutting expenses, streamlining processes, reworking contracts, enhancing the quality of services, and improving the financial viability of The MED. This CON project is the next phase of planned improvements to the campus in an effort to further improve both the quality of services being provided to our patients and our physical plant.

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Likewise, outpatient surgery has generated revenue in the past, and this improvement in the provision of outpatient surgery will have a positive impact on utilization and revenue for The MED. Based on historic utilization, the renegotiation of contracts and the fact that future outpatient surgeries will have their own dedicated unit, the following chart is given as a sample of the projected increase in a few selected outpatient surgery encounters in Year 1:

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chart above represents those types of procedures that will be relocated to the new outpatient surgery department.

It is important for The MED to continue improving its departments that generate positive cash flow, in order to continue providing services for those who cannot pay for their health care.

9. **Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and Medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.**

Response: The hospital participates in Medicare and TennCare. The traditional payor source (2011) is as follows:

Medicaid	41.39%
Medicare	14.11%
Private Pay	23.78%
Insurance	18.05%
Worker's Comp.	2.66%

The above percentages are based on discharges and gross charges. We do not anticipate the overall percentages for the entire hospital will change significantly in the foreseeable future, even though various departments may start seeing changes faster than others.

HOSPITAL: The Applicant anticipates approximately 14% of its total patients will be Medicare patients. With Net Operating Revenue of $337,359,000 anticipated in Year 1, the impact on Medicare will be $47,230,260 (Net of 337,359,000 times 14%).

The Applicant anticipates approximately 42% of its total patients will be Medicaid/TennCare patients. With Net Operating Revenue of $337,359,000 anticipated in Year 1, the impact on Medicaid will approximate $42,507,234 (Net of 337,359,000 times 42% times 30% state share of Medicaid funding).

REHAB: Traditionally, the rehab unit has the following approximate payor sources:

Medicaid	10%
Medicare	40%
Private Pay	22%
Insurance	17%
Worker's Comp.	3%
Other	8%

We do not anticipate a significant change in these payor sources for the rehab unit.

OUTPATIENT SURGERY: Traditionally, the outpatient surgery suites have the following approximate payor sources, with Year 1 projections given in the next column:

Medicaid	34%	30%
Medicare	10%	14%
Private Pay	36%	32%
Managed Care	12%	16%
Worker's Comp.	8%	8%

10. **Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.**

Response: See *Attachment C.EF.10.*

11. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:

a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.

Response: Many alternatives were considered prior to filing this application. First, the improved utilization of Turner Tower (one of the newer buildings on site) was of prime importance. The MED has this unused space that, at the time of construction, was built to withstand anticipated earth tremors that might occur as a result of the fault on which Memphis sits.

The rehab unit is a service that our patients need and upon which they depend. As previously stated, our Level I ER and our Trauma Center are referral sources for our full rehab unit. Expansion of this service, on campus, was extremely important. It was felt that expanding this service in one of our better buildings was the best alternative, as new construction would have been more expensive.

Consideration was given to building an ASTC off-site to offload our outpatient surgery volume and improve our patients' experience. However, this would have increased our costs, as new construction would cost more than the renovation of Turner Tower, even though that renovation is relatively expensive. Further, there are 29 ASTCs in the Memphis market area, but only 3 are located West of I-240, leaving the downtown area underserved. Also, an off-campus location for these surgery suites would reduce the number of existing outpatient procedures that could be moved from our Chandler Building to these new suites. Further, operation of the new dedicated outpatient surgery suites as a department of the hospital is more appropriate and space is readily available. Surgery costs savings are projected at approximately $600,000 to $740,000 per year by having dedicated suites that operate more efficiently than in the existing surgery suites in the Chandler Building.

Finally, approximately $800,000 can be realized in construction/renovation cost savings by building out the 4th Floor of Turner Tower for a 24 bed med/surg unit, rather than waiting for another phase of improvements to occur on our campus. Therefore, the costs are included in this project.

b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

Response: Many alternatives were considered prior to filing this application. First, the improved utilization of Turner Tower (one of the newer buildings on site) was of prime importance. The MED has this unused space that, at the time of construction, was built to withstand anticipated earth tremors that might occur as a result of the fault on which Memphis sits.

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Finally, approximately $800,000 can be realized in construction/renovation cost savings by building out the 4th Floor of Turner Tower for a 24 bed med/surg unit, rather than waiting for another phase of improvements to occur on our campus. Therefore, the costs are included in this project.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. **List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.**

Response: We have TennCare contracts with UHC/Americhoice, Blue Care and TNCare Select. These contracts will not change as a result of this project. The Applicant will contract with any new MCOs that provide services in the area.

The MED and its predecessors have provided acute medical services for citizens of Shelby County and the surrounding area for generations, beginning in 1936. Today, it is a regional referral facility for a wide catchment area. While Shelby County residents remain its main reason for existence, the hospital provides a wide assortment of tertiary health care services for people from surrounding areas. As stated earlier, its 2011 JAR shows that its patients originated from 31 Tennessee counties plus 10 additional states. As such, The MED has a plethora of contractual and working relationships.

See *Attachment C.OD.1* for copies of existing relationships.

2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

Response: The approval of this project will only result in positive outcomes, as follows:

Rehab Beds: The Applicant currently operates a twenty (20) bed rehab unit in one of the older buildings on campus. These beds traditionally operate at a very high utilization, operating at 98.3%, 99.2%, 98.5% and 95.0% during 2008 – 2011, respectively. Rehab inpatient days have accounted for 6.4%, 7.1%, and 7.2% of our total inpatient days at our hospital for FY 2009 – FY 2011, respectively. Therefore, rehab is increasing its percentage of inpatient days provided at our hospital. Most of our rehab patients are referred from within the hospital. We have the third busiest trauma center the United States, and many of our rehab patients are former trauma patients. About forty percent (40%) of our discharged patients, eligible for inpatient rehab treatment, are treated in our rehab unit, while the remaining sixty percent (60%) are treated in other facilities or in their homes. A significant number of these patients have no coverage. The existing 20 bed rehab unit will be moved to Turner Tower, which is being renovated, and ten (10) additional rehab beds will be realized through the conversion of the license for ten (10) med/surg beds, after which a thirty (30) bed rehab unit will be in Turner Tower. Twenty-four (24) of those beds will be located on the third floor, and the remaining six (6) rehab beds will be on the second floor. There will be no increase in our total licensed bed count of 631.

As most of our rehab patients are referred from within the hospital, there should be no negative impact on existing rehab providers.

Outpatient Surgery: The Applicant currently operates fourteen (14) ORs and Special Procedure Rooms. None of these existing surgery suites are dedicated to outpatient surgery. Therefore, patients receiving outpatient surgery are incorporated into the inpatient surgery suites and schedule. This application will add three (3) dedicated outpatient surgery suites in the Turner Tower, plus shell in a fourth suite for later use as needed. The dedication of these surgery suites for outpatient surgery will free up existing suites for more inpatient procedures and expedite throughput. More importantly, this will result in a special area of the Applicant's campus where all outpatient surgery patients can present, receive services, and be discharged in a more efficient manner. We anticipate that about 90% of existing outpatient surgeries will shift to the new dedicated outpatient suites, which will result in 2 of our 3 dedicated suites operating at capacity. Additionally, interviews with The MED leadership and surgeons affiliated with The MED, other hospitals, and existing ASTCs in Memphis provided additional volume growth scenarios.

As most of our outpatient surgeries will simply shift from our inpatient suites to a dedicated outpatient suite, there should be no negative impact on existing surgery providers.

24 bed Med/Surg Unit: Turner Tower is one of our more recently-constructed buildings, having been completed in 1992. As is well-known, Memphis sits on or close to the New Madrid fault, and the Turner Tower was designed and constructed to meet seismic safety requirements in effect at that time. When originally constructed, the lower floors were utilized for various hospital functions, and the upper floors were shelled in for future use. Those upper floors still stand empty. Since other renovations are taking

place in Turner Tower with the approval of this project, there were efficiencies in renovating and building out the 4th Floor of the building at the same time. The 4th Floor will house a 24 med/surg bed unit, but there will be no increase in the licensed bed count of 631. The Applicant will be able to utilize these 24 beds for any med/surg purpose as other buildings and existing and needed services on campus are evaluated. Current estimates are that approximately $800,000 dollars will be saved by building out all floors now, rather than waiting for a next phase of renovation to the campus.

10 bed Med/Surg Unit: Finally, a ten (10) bed med/surg unit will be relocated from the Adams Building to the basement of the Turner Tower, resulting in a six (6) bed med/surg unit. This relocation will enable the Applicant to finally remove all clinical services from the Adams Building, which is 67 years old and not the most ideal for the provision of clinical services.

Moving clinical services out of the Adams Building is of prime importance. The Adams Building is one of the oldest buildings on the campus, it is well beyond its expected life span. When Adams was built, there was no anticipation of the requirements of today's energy efficient mechanical and electrical systems or the code-mandated design requirements for hospital construction. Major additions, upgrades, renovations (other than cosmetic) that significantly affect the building structure, can trigger the requirement to bring the entire building up to current code requirements. Such requirements include: Life Safety Code and the Guidelines for Design and Construction of Health Care Facilities as well as other applicable codes, such as the Americans with Disabilities Act, a federal law. The cost to upgrade Adams to comply with hospital uses, such as increasing floor-to-floor heights by nearly 40%, are prohibitive as they exceed the cost of new facilities on a cost/square foot basis.

Adams currently houses two clinical functions: (1) a 20 bed inpatient rehabilitation unit; and (2) another 10 bed med/surg unit. These two functions need to be relocated out of the Adams Building, and will be with the approval of this project. Even though today's standards require rehabilitation beds to all be in private rooms, 12 of the 20 existing beds in Adams are in 6 semi-private rooms. More generally, much of the space in the inpatient rehabilitation unit is antiquated and not conducive to today's methods in providing physical/occupational therapy. Further, there is no additional space available in Adams to provide private rehabilitation beds. The lack of space, the antiquated physical plant, and the prohibitive cost of attempting to upgrade Adams means we need to relocate these services to another location on campus.

The renovation of our campus will have no negative impact on existing providers.

3. Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.

Response: Comparable clinical staff in the service area as published by the Tennessee Department of Labor & Workforce Development are included in *Attachment C.OD.3.*

(1) Rehab unit move and increase:

The Murer study concluded that it will be necessary to add staff in order to provide care in a 30 bed rehab unit. Only about 15 additional staff will be required. Please see chart below:

Staffing Requirements/Salaries
Rehab Bed Need
The MED

Staff	Current FTE	Approx. Salaries	Projected FTE	Approx. Salaries
Physical Therapist	2.0	$91,478	3.0	$94,200
PTA	1.0	$52,416	1.5	$54,000
Occupational Therapist	2.0	$88,920	3.0	$91,600
COTA	1.0	$52,416	1.5	$54,000
Speech Therapist	1.0	$80,475	1.5	$82,900
Recreational Therapist	1.0	$35,630	1.5	$36,700
Rehab Aide	2.0	$24,523	3.0	$25,300
RN	9.5	$61,068	14.5	$62,900
LVN/LPN	2.0	$40,700	3.0	$41.900
CNA	8.3	$26,125	12.5	$26.900
Total FTEs	29.8		45.0	

Source: Murer Consultants, Inc.
Note: Approx. Salaries are for individual positions, not total FTEs, and are annual salaries.

We believe that adequate additional staff are readily available to provide appropriate care to all patients in our existing 20 bed rehab unit. Following approval of this project, we will be able to add staff as the need arises (due to increased admissions) by interviewing prospective personnel already contained in our HR files and by interviewing recent graduates of local schools. The University of Tennessee in Memphis maintains programs in both physical and occupational therapies, and the University of Memphis has a nursing school from which to draw future staff.

Dr. Tewfik Rizk is the medical director of our inpatient rehabilitation unit and is a board certified physiatrist.

(2) Dedicated Outpatient Operating Rooms:

There are no current staff positions assigned to outpatient surgery. The entire existing surgical staff provides both inpatient and outpatient services. The proposed staff for Year 1 (below) will be needed for a dedicated outpatient surgery department, along with anticipated salaries for each individual position:

Outpatient Surgery Department
Positions/FTEs/Anticipated Salaries
Year 1

Position	FTEs	Salaries
Director	1	$120,000
Office Manager	1	$70,000
Receptionist	1	$36,600
Biller/Coder/Scheduler	1	$48,000
RN (Pre-Op/OR/PACU)	9	$66,100
OR Tech	3	$46,000
GI Tech	1	$34,500

Note: Approx. Salaries are for individual positions, not total FTEs, and are annual salaries

We believe that adequate additional staff are readily available to provide appropriate care to all patients in our outpatient surgery department. The University of Memphis has a nursing school from which to draw future staff.

4. **Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.**

Response:

(1) Rehab unit move and increase:

The Murer study concluded that it will be necessary to add staff in order to provide care in a 30 bed rehab unit. Only about 15 additional staff will be required. Please see chart below:

Staffing Requirements/Salaries
Rehab Bed Need
The MED

Staff	Current FTE	Approx. Salaries	Projected FTE	Approx. Salaries
Physical Therapist	2.0	$91,478	3.0	$94,200
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Source: Murer Consultants, Inc.
Note: Approx. Salaries are for individual positions, not total FTEs, and are annual salaries

We believe that adequate additional staff are readily available to provide appropriate care to all patients in our existing 20 bed rehab unit. Following approval of this project, we will be able to add staff as the need arises (due to increased admissions) by interviewing prospective personnel already contained in our HR files and by interviewing recent graduates of local schools. The University of Tennessee in Memphis maintains programs in both physical and occupational therapies, and the University of Memphis has a nursing school from which to draw future staff.

Dr. Tewfik Rizk is the medical director of our inpatient rehabilitation unit and is a board certified physiatrist.

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OR Tech	3	$46,000
GI Tech	1	$34,500

Note: Approx. Salaries are for individual positions, not total FTEs, and are annual salaries

We believe that adequate additional staff are readily available to provide appropriate care to all patients in our outpatient surgery department. The University of Memphis has a nursing school from which to draw future staff.

(3) 24 bed Med/Surg Unit:

The MED is a very large, tertiary hospital, and has a very active HR department. We maintain files of personnel seeking employment. Plus, the University of Memphis has a nursing school from which to draw future staff. Human and training resources are readily available for the recruitment and retention of staff in the 24 bed med/surg unit. The Applicant does not anticipate any problems in staffing the unit.

(4) 10 bed Med/Surg Unit:

This unit will be moved from Adams Building to the basement of Turner Tower, but only six (6) beds will be staffed at present. Existing staff are in place, and will relocate with the beds.

5. **Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review *policies and programs, record keeping, and staff education.***

Response: The Applicant is familiar with all licensing certification requirements for medical/clinical staff.

6. **Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (*e.g.*, internships, residencies, etc.).**

Response: The Applicant has clinical affiliation relationships with UT School of Medicine and the University of Memphis School of Nursing. See *Attachment C.OD.6*.

7. **(a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.**

Response: The Applicant is familiar with all licensure requirements of the regulatory agencies of the State.

(b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Response:

Licensure:	Tennessee Department of Health
Accreditation:	Medicare, Medicaid/TennCare, JCAHO, CARF

(c) If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

Response: Please see *Attachment C.OD.7.c* for copies of The MED's current hospital license, JCAHO accreditation letter, and CARF accreditation.

(d) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.

Response: Please see *Attachment C.OD.7.d.*

8. **Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.**

Response: There have been no final orders or judgments as are contemplated by this question.

9. **Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project**

Response: There have been no final orders or judgments as are contemplated by this question.

10. **If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.**

Response: The Applicant will provide all data contemplated by this question.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

Response: If the requested documentation is not attached, it will be submitted once received.

DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. **Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.**
2. **If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph,* please state below any request for an extended schedule and document the "good cause" for such an extension.**

Form HF0004
Revised 05/03/04
Previous Forms are obsolete

PROJECT COMPLETION FORECAST CHART SUPPLEMENTAL

Enter the Agency projected Initial Decision date, as published in Rule 68-11-1609(c): 11/2012.

Assuming the CON approval becomes the final agency action on that date; indicate the number of day **from the above agency decision date** to each phase of the completion forecast.

Phase	DAYS REQUIRED	Anticipated Date (MONTH/YEAR)
1. Architectural and engineering contract signed	60	05/2012
2. Construction documents approved, TDOH	250	01/2013
3. Construction contract signed	205	11/2012
4. Building permit secured	30	02/2013
5. Site preparation completed	0	02/2013
6. Building construction commenced	60	04/2013
7. Construction 40% complete	240	12/2013
8. Construction 80% complete	240	07/2014
9. Construction 100% complete (app., occupancy)	160	01/2015
10. *Issuance of license	60	03/2015
11. *Initiation of service	30	04/2015
12. Final Architectural Certification of Payment	30	05/2015
13. Final Project Report Form (HF0055)	10	05/2015

*** For projects that do NOT involve construction or renovation : Please complete items 10 and 11 only.**

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

2012 AUG 10 PM 3 45

E. Graham Baker, Jr., being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete to the best of my knowledge, information, and belief.

E Graham Baker, Jr. ATTORNEY AT LAW
SIGNATURE/TITLE

Sworn to and subscribed before me this 10th day of August, 2012, a
(month) (year)

Notary Public in and for the County/State of Davidson/Tennessee.

Nadean E Poteet
NOTARY PUBLIC

NADEAN E. POTEET
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY

My commission expires May 6th, 2013.
(Month/Day) (Year)

COMPREHENSIVE INPATIENT REHABILITATION SERVICES

1. **The need for comprehensive inpatient rehabilitation beds shall be determined by applying the guideline of ten beds per 100,000 population in the service area of the proposal.**

Response: The 2012 population of Shelby County is 949,665, and the 2016 projected population of Shelby County will be 976,726, according to the TN Department of Health. Using these population estimates, there is a need for 95 rehab beds in 2012 and a projected need of 98 rehab beds in 2016.

The Applicant currently operates a twenty (20) bed rehab unit in one of the older buildings on campus. These beds traditionally operate at a very high utilization, operating at 98.3%, 99.2%, 98.5% and 95.0% during 2008 – 2011, respectively. Rehab inpatient days have accounted for 6.4%, 7.1%, and 7.2% of our total inpatient days at our hospital for FY 2009 – FY 2011, respectively. Therefore, rehab is increasing its percentage of inpatient days provided at our hospital. Most of our rehab patients are referred from within the hospital. We have the third busiest trauma center the United States, and many of our rehab patients are former trauma patients. About forty percent (40%) of our discharged patients, eligible for inpatient rehab treatment, are treated in our rehab unit, while the remaining sixty percent (60%) are treated in other facilities or in their homes. A significant number of these patients have no coverage. The existing 20 bed rehab unit will be moved to Turner Tower, which is being renovated, and ten (10) additional rehab beds will be realized through the conversion of the license for ten (10) med/surg beds, after which a thirty (30) bed rehab unit will be in Turner Tower. Twenty-four (24) of those beds will be located on the third floor, and the remaining six (6) rehab beds will be on the second floor. There will be no increase in our total licensed bed count of 631.

It is important to bear in mind that while data requested by the Joint Annual Reports tracks total rehab bed utilization and patient origin information, it does not track rehab bed utilization by county of origin. It was felt that the historic high utilization of the Applicant's rehab unit had to be a result of its Level I Emergency Room and Trauma Center.

To that end, The MED contracted with a nationally-known consulting firm (Murer Consultants, Inc.) to examine rehab bed utilization. Murer conducted both a population-based study and a discharge-based study to help determine the need for rehab beds at The MED. The population-based analysis centered on three states: West Tennessee, Northern Mississippi, and Northeastern Arkansas, and involved geographic circles around Memphis. Based on the more conservative geographic "ring" of population around Memphis, Murer concluded that at least 206 rehab beds (at 100% occupancy) to 243 rehab beds (at 85% occupancy) would be needed in Memphis to properly serve rehab patients in an inpatient setting. Utilizing a wider geographic "ring" the conclusion was reached that 284 rehab beds (at 100% occupancy) to 334 rehab beds (at 85% occupancy) would be needed.

An analysis of discharges of patients from The MED's rehab unit resulted in another set of figures, more specific to just The MED. This analysis looked at specific data regarding patients

who had been discharged, including DRG-specific information, average length of stay, and number of patient days in the rehab unit. By analyzing just those patients being discharged from The MED's rehab unit, the study showed a need at The MED for 35 rehab beds (at 100% occupancy) to 41 rehab beds (at 85% occupancy). This study showed that beds were needed at The MED to continue serving rehab patients with the following needs:

Discharge Based Analysis
Rehab Bed Need
The MED

Category	Rehab Bed Need
Stroke	2
Brain Injury	4
Neurological Disorders	1
Amputation	1
Polyarthritis incl. Rheumatoid Arth	0
Orthopedic with CC (Fx of Femur)	3
Major Multiple Trauma	15
Spinal Cord Injury	4
Pulmonary/Respiratory	1
Burns	4
Total Beds at 100% occupancy	35
Total Beds at 85% occupancy	41

Source: Murer Consultants, Inc., 06/2012

The conclusion reached in the Murer report was that The Med could easily support an additional ten (10) rehabilitation beds.

Please see *Attachment B.III.A.2* for a chart showing rehab bed utilization in Shelby County, 2008 – 2010.

2. The need shall be based upon the current year's population and projected four years forward.

Response: The 2012 population of Shelby County is 949,665, and the 2016 projected population of Shelby County will be 976,726, according to the TN Department of Health. Using these population estimates, there is a need for 95 rehab beds in 2012 and a projected need of 98 rehab beds in 2016.

The discharge based bed need chart (above) shows an immediate need for 41 rehab beds at The MED, and future need would only increase.

3. Applicants shall use a geographic service area appropriate to inpatient rehabilitation services.

Response: The Applicant's primary service area is Shelby County. Approximately 88.5% of the Applicant's patients who originate in Tennessee were from Shelby County in 2011, according to the provisional JAR for that year. The Med provided 68,095 inpatient days to Tennessee residents in 2011, with 60,247 originating from Shelby County. With that said, the Applicant also provided care to patients from 31 total counties in Tennessee in 2011, and patients from at least 10 other states came to the Applicant for care in 2011. In addition to the 68,095 patient days provided to Tennessee residents, 22,677 inpatient days were provided to residents of other states, bringing the total inpatient days to 90,772. While this data emphasizes the "regional" nature of the Applicant's service area, for Tennessee purposes, Shelby County is our primary service area. Therefore, applying a geographic service area seemed to be only one manner in which to arrive at the need for rehab beds at The MED.

It is important to bear in mind that while data requested by the Joint Annual Reports tracks total rehab bed utilization and patient origin information, it does not track rehab bed utilization by county of origin. It was felt that the historic high utilization of the Applicant's rehab unit had to be a result of its Level I Emergency Room and Trauma Center.

To that end, The MED contracted with a nationally-known consulting firm (Murer Consultants, Inc.) to examine rehab bed utilization. Murer conducted both a population-based study and a discharge-based study to help determine the need for rehab beds at The MED. The population-based analysis centered on three states: West Tennessee, Northern Mississippi, and Northeastern Arkansas, and involved geographic circles around Memphis. Based on the more conservative geographic "ring" of population around Memphis, Murer concluded that at least 206 rehab beds (at 100% occupancy) to 243 rehab beds (at 85% occupancy) would be needed in Memphis to properly serve rehab patients in an inpatient setting. Utilizing a wider geographic "ring" the conclusion was reached that 284 rehab beds (at 100% occupancy) to 334 rehab beds (at 85% occupancy) would be needed.

An analysis of discharges of patients from The MED's rehab unit resulted in another set of figures, more specific to just The MED. This analysis looked at specific data regarding patients who had been discharged, including DRG-specific information, average length of stay, and number of patient days in the rehab unit. By analyzing just those patients being discharged from The MED's rehab unit, the study showed a need at The MED for 35 rehab beds (at 100% occupancy) to 41 rehab beds (at 85% occupancy). This study showed that beds were needed at The MED to continue serving rehab patients with the following needs:

Discharge Based Analysis
Rehab Bed Need
The MED

Category	Rehab Bed Need
Stroke	2
Brain Injury	4
Neurological Disorders	1
Amputation	1
Polyarthritis incl. Rheumatoid Arth	0
Orthopedic with CC (Fx of Femur)	3
Major Multiple Trauma	15
Spinal Cord Injury	4
Pulmonary/Respiratory	1
Burns	4
Total Beds at 100% occupancy	35
Total Beds at 85% occupancy	41

Source: Murer Consultants, Inc., 06/2012

The conclusion reached in the Murer report was that The Med could easily support an additional ten (10) rehabilitation beds.

Please see *Attachment B.III.A.2* for a chart showing rehab bed utilization in Shelby County, 2008 – 2010.

4. **Inpatient rehabilitation units in acute care hospitals shall have a minimum size of 8 beds.**

Response: We currently operate 20 rehab beds, and this application, if approved, will add 10 rehab beds.

5. **Freestanding rehabilitation hospitals shall have a minimum size of 50 beds.**

Response: N/A.

6. **Additional inpatient rehabilitation beds, units, or freestanding hospitals should not be approved by the HFC unless all existing units or facilities are utilized at the following levels:**

20-30 bed unit	**~ 75%**
31-50 bed unit/facility	**~ 80%**
51 bed plus unit/facility	**~ 85%**

Response: The Applicant currently operates a twenty (20) bed rehab unit in one of the older buildings on campus. These beds traditionally operate at a very high utilization, operating at 98.3%, 99.2%, 98.5% and 95.8% during 2008 – 2011, respectively. Rehab inpatient days have accounted for 6.4%, 7.1%, and 7.2% of our total inpatient days at our hospital for FY 2009 – FY 2011, respectively. Therefore, rehab is increasing its percentage of inpatient days provided at our hospital. Most of our rehab patients are referred from within the hospital. We have the third busiest trauma center the United States, and many of our rehab patients are former trauma patients. About forty percent (40%) of our discharged patients, eligible for inpatient rehab treatment, are treated in our rehab unit, while the remaining sixty percent (60%) are treated in other facilities or in their homes. A significant number of these patients have no coverage. The existing 20 bed rehab unit will be moved to Turner Tower, which is being renovated, and ten (10) additional rehab beds will be realized through the conversion of the license for ten (10) med/surg beds, after which a thirty (30) bed rehab unit will be in Turner Tower. Twenty-four (24) of those beds will be located on the third floor, and the remaining six (6) rehab beds will be on the second floor. There will be no increase in our total licensed bed count of 631.

Attachment B.III.A.2 shows historic utilization of Shelby County's five rehab units. Two of the five existing rehab units are operating (in 2010) at the suggested percentage rate outlined above. The are:

The Regional Medical Center at Memphis	20 beds	98.5%
HealthSouth Rehabilitation Hospital – North	40 beds	89.8%

Three rehab units are operating (in 2010) below the suggested percentage rate, as follows:

Saint Francis Hospital	29 beds	21.2%
HealthSouth Rehabilitation Hospital	80 beds	68.1%
Baptist Rehabilitation – Germantown	67 beds	42.1%

We believe that the discharge based analysis shows that The MED needs at least an additional 10 rehab beds in spite of the utilization rates of other facilities in the area.

7. **The applicant must document the availability of adequate professional staff, as per licensing requirements, to deliver all designated services in the proposal. It is preferred that the medical director of a rehabilitation hospital be a board certified physiatrist.**

Response: The Murer study concluded that it will be necessary to add staff in order to provide care in a 30 bed rehab unit. Only about 15 additional staff will be required. Please see chart below:

Staffing Requirements/Salaries
Rehab Bed Need
The MED

Staff	Current FTE	Approx. Salaries	Projected FTE	Approx. Salaries
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Dr. Tewfik Rizk is the medical director of our inpatient rehabilitation unit and is a board certified physiatrist.

CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTH CARE INSTITUTIONS

1. **Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.**

Response: This project includes the relocation of an existing 20 bed inpatient rehab unit with the conversion of ten (10) existing med/surg beds into rehab beds, the addition of three ORs to be dedicated to outpatient surgery, and the renovation of Turner Tower, including a 24 bed med/surg unit and six (6) bed med/surg unit.

2. **For relocation or replacement of an existing licensed health care institution:**

    a. **The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.**

Response: N/A.

    b. **The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.**

Response: N/A.

3. **For renovation or expansions of an existing licensed health care institution:**

    a. **The applicant should demonstrate that there is an acceptable existing demand for the proposed project.**

Response: As is well-known, Memphis sits on or close to the New Madrid Fault, and the Turner Tower was designed and constructed to meet seismic safety requirements at the time of construction. When originally constructed, the lower floors were utilized for various hospital functions, and the upper floors were shelled in for future use. Those upper floors still stand empty. Since other renovations are taking place in Turner Tower with the approval of this project, there were efficiencies in renovating and building out the 4th Floor of the building at the same time. The 4th Floor will house a 24 med/surg bed unit, but there will be no increase in the licensed bed count of 631. The Applicant will be able to utilize these 24 beds for any med/surg purpose as other buildings and existing and needed services on campus are evaluated. Current estimates are that approximately $800,000 dollars will be saved by building out all floors now, rather than waiting for a next phase of renovation to the campus.

Almost all of the renovation entailed in this project will involve the Turner Tower, much of which is now empty, as follows:

The Basement will house a six (6) bed med/surg unit formerly housed in the Adams Building;

The Ground Floor will continue to be utilized by the current Burn Center;

The shelled first floor space will be built out to house the new 3 OR suite dedicated outpatient surgery department of the hospital, along with a shelled-in 4th OR;

There is an existing CCU Waiting Room on the second floor of Turner Tower, but that waiting room will be relocated to the adjacent Chandler Building. The vacated space will be renovated for 6 beds of the 30 total bed rehabilitation department. The hospital's Inpatient Pharmacy will continue to occupy its space on this floor;

The shelled-in third floor will be built out to accommodate 24 rehabilitation beds. Note that the existing 20 bed rehabilitation unit will be moved from the Adams Building to the Turner Tower. The Adams Building[1] was constructed in 1945. The current rehab unit there has twelve (12) semi-private rooms, and no longer meets today's requirements for rehabilitation beds. The total increase of ten rehabilitation beds will be accomplished by converting ten licensed med/surg beds to rehabilitation beds. Therefore, the "increase" in the rehabilitation department (from 20 beds to 30 beds) will be accomplished with no increase in hospital bed licensure; and

The shelled-in fourth floor will be built out to house 24 med/surg beds, again, with no increase in the number of licensed beds.

As a result of these changes, our "staffed" bed count will increase from 325 to 355, but there will be no increase in the number of licensed beds which will remain at 631.

Approximately 85,580 GSF will be renovated, about 3,000 GSF of which is in the Chandler Building and the remainder in the Turner Tower. Even though the Turner Tower was completed around 1992, much of the building has remained empty, and several floors do not even have HVAC systems installed. Therefore, the term "renovated" is a little misleading. Major interior construction will occur. As one of the newest buildings on campus, Turner Tower is fully sprinkled and has a floor-to-floor height that will accommodate modern mechanical systems used in healthcare facilities.

The CCU Waiting Room is now located in the 2nd floor of Turner Tower, but it will be moved to the Chandler Building. The Square Footage and Cost Per Square Footage Chart (*Attachment GSF*) indicates that Rehab will occupy approximately 22,200 GSF, Outpatient OR Department will occupy approximately 17,500 GSF, and further renovation on the Ground, 2nd and 4th Floors of Turner Tower will affect approximately 30,160 GSF. Total cost of construction will approximate $306 per GSF. As might be expected with this major buildout in light of some major support systems now missing in the Tower, the anticipated cost is somewhere in between average costs of construction and average costs of renovation for hospital projects. This project

[1] The approval of this CON application will result in the removal of all clinical services from the Adams Building.

is financially feasible, based on cost information gathered by the HSDA for hospital projects between 2009 and 2011, as seen in the next chart:

Hospital Construction Cost Per Square Foot

Years: 2009 – 2011

	Renovated Construction	New Construction	Total Construction
1st Quartile	$125.84/sq ft	$235.86/sq ft	$167.99/sq ft
Median	$177.60/sq ft	$274.63/sq ft	$249.32/sq ft
3rd Quartile	$273.69/sq ft	$324.00/sq ft	$301.74/sq ft

Source: CON approved applications for years 2009 through 2011

b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

Response: See *Attachment B.III.A.1* for a property map and view of the existing campus at The MED. Note the age of many of the buildings: Adams (1945), Rout (1956 and 1973), Chandler (1963), Jefferson (1981), Turner Tower (1992), Medplex (1994), and at least one support building constructed in 1942. Only the Turner Tower and the Medplex buildings were designed to meet seismic safety requirements at the time they were constructed.

The Adams Building was constructed 67 years ago and, as one of the oldest buildings on the campus, it is well beyond its expected life span. When Adams was built, there was no anticipation of the requirements of today's energy efficient mechanical and electrical systems or the code-mandated design requirements for hospital construction. Major additions, upgrades, renovations (other than cosmetic) that significantly affect the building structure, can trigger the requirement to bring the entire building up to current code requirements. Such requirements include: Life Safety Code and the Guidelines for Design and Construction of Health Care Facilities as well as other applicable codes, such as the Americans with Disabilities Act, a federal law. The cost to upgrade Adams to comply with hospital uses, such as increasing floor-to-floor heights by nearly 40%, are prohibitive as they exceed the cost of new facilities on a cost/square foot basis.

Adams currently houses two clinical functions: (1) a 20 bed inpatient rehabilitation unit; and (2) another 10 bed med/surg unit. These two functions need to be relocated out of the Adams Building, and will be with the approval of this project. Even though today's standards require rehabilitation beds to all be in private rooms, 12 of the 20 existing beds in Adams are in 6 semi-private rooms. More generally, much of the space in the inpatient rehabilitation unit is antiquated and not conducive to today's methods in providing physical/occupational therapy. Further, there is no additional space available in Adams to provide private rehabilitation beds.

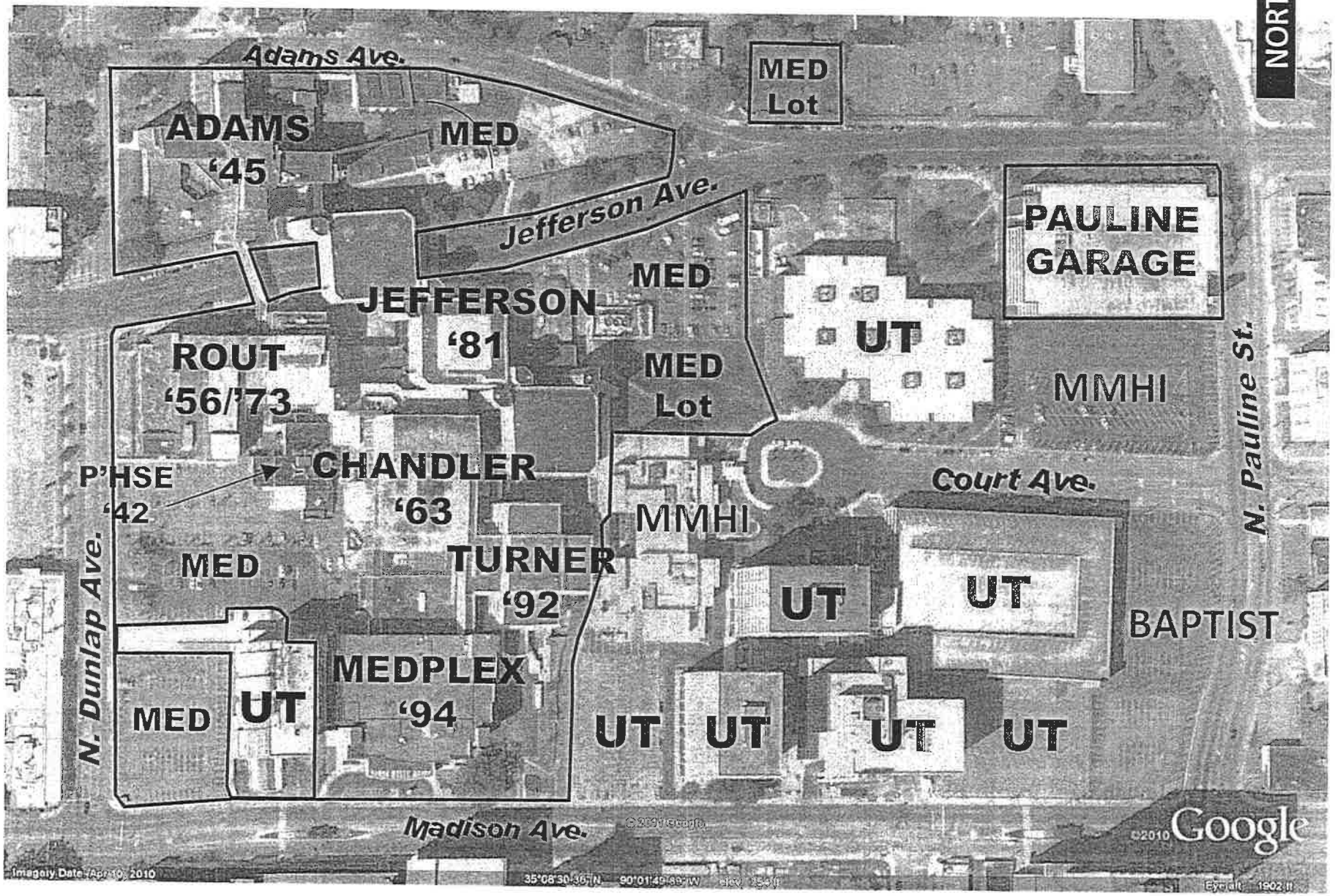
The lack of space, the antiquated physical plant, and the prohibitive cost of attempting to upgrade Adams means we need to relocate these services to another location on campus.

The Regional Medical Center at Memphis
Property Map

Parcel ID #	Description	Acres
018051-00051	Hospital	7.94
018050-00001	Adams Pavilion	3.92
018051-00043	Valet Parking Lot - Dunlap	0.70
018051-00042	Chandler Parking Lot - Dunlap	0.34
018051-00052	Outpatient Center Parking Lot - Dunlap	0.92
018051-00041	Outpatient Center Parking Lot - Dunlap	0.14
018051-00055	ED Parking Lot & Grass Lot - Jefferson	1.73
18051-00040	Hospital Drive	0.63
18063-00002	Pauline Garage	1.81
18049-00009C	Vacant Lot - Adams	0.42
	Total Acreage	18.55

THE MED Regional Medical Center at Memphis +/- 18.55Acres

Satellite View



Madison Avenue
Dunlap Street
Jefferson Avenue
Adams Avenue
Dunlap Street
0.144 Acres
City of Memphis
0.123 Acres
State of TN
0.328 Acres
State of TN
0.923 Acres
County of Shelby
0.984 Acres
County of Shelby
7.944 Acres
County of Shelby
0.834 Acres
City of Memphis
3.923 Acres
University of
Tennessee

Rehab Bed Utilization
Shelby County , 2008-2010

Attachment B.III.A.2

2008

ID #	Hospitals	# Beds	Occ
79766	Baptist Rehabilitation - Germantown	67	55.0%
79756	HealthSouth Rehabilitation Hospital	80	0.0%
79806	HealthSouth Rehabilitation Hospital - Memphis North	40	82.1%
79396	Saint Francis Hospital	29	57.9%
79246	The Regional Medical Center at Memphis	20	98.3%
	Total	236	45.0%

2009

ID #	Hospitals	# Beds	Occ
79766	Baptist Rehabilitation - Germantown	67	53.5%
79756	HealthSouth Rehabilitation Hospital	80	68.7%
79806	HealthSouth Rehabilitation Hospital - Memphis North	40	84.3%
79396	Saint Francis Hospital	29	42.8%
79246	The Regional Medical Center at Memphis	20	99.2%
	Total	236	66.4%

2010

ID #	Hospitals	# Beds	Occ
79766	Baptist Rehabilitation - Germantown	67	42.1%
79756	HealthSouth Rehabilitation Hospital	80	68.1%
79806	HealthSouth Rehabilitation Hospital - Memphis North	40	89.8%
79396	Saint Francis Hospital	29	21.2%
79246	The Regional Medical Center at Memphis	20	98.5%
	Total	236	61.2%

Source: 2008, 2009 & 2010 Hospital, JARs, Schedule F Beds, Schedule G Utilization

Hospital Surgery Utilization
Shelby County, 2008-2010

Attachment B.III.A.3

2008

ID #	Hospitals	ORs	Ded O/P	I/P	O/P	Total	Proc/OR
79216	Baptist Memorial Hospital	26	0	8,463	6,545	15,008	577
79326	Baptist Memorial Hospital - Collierville	6	0	811	1,566	2,377	396
79506	Baptist Memorial Hospital for Women	5	0	1,292	1,879	3,171	634
79386	Delta Medical Center	8	0	2,344	4,397	6,741	843
79306	Lebonheur Children's Medical Center	10	0	3,414	6,980	10,394	1,039
79276	Methodist Healthcare - Memphis Hospitals	19	0	5,662	3,351	9,013	474
79236	Methodist Hospital - Germantown	12	0	4,204	6,044	10,248	854
79296	Methodist Hospital - North	11	0	2,136	1016	3152	287
79266	Methodist Hospital - South	6	0	1,087	997	2,084	347
79396	Saint Francis Hospital	22	0	5,329	3,961	9,290	422
79516	Saint Francis Hospital - Bartlett	4	0	2,772	2,216	4,988	1,247
79256	Saint Jude Children's Research Hospital	0	0	518	1,046	1,564	0
79246	The Regional Medical Center at Memphis	14	0	7,743	1,058	8,801	629
	Total	143	0	45,775	41,056	86,831	607

2009

ID #	Hospitals	ORs	Ded O/P	I/P	O/P	Total	Proc/OR
79216	Baptist Memorial Hospital	26	0	8,687	6,206	14,893	573
79326	Baptist Memorial Hospital - Collierville	6	0	1,172	1,755	2,927	488
79506	Baptist Memorial Hospital for Women	5	0	1,127	1,880	3,007	601
79386	Delta Medical Center	8	0	2,589	4,284	6,873	859
79306	Lebonheur Children's Medical Center	10	0	4,149	6,836	10,985	1,099
79276	Methodist Healthcare - Memphis Hospitals	13	0	6,178	3,334	9,512	732
79236	Methodist Hospital - Germantown	12	0	4,260	5,194	9,454	788
79296	Methodist Hospital - North	10	0	2,087	860	2947	295
79266	Methodist Hospital - South	6	0	1,177	1,224	2,401	400
79396	Saint Francis Hospital	22	0	3,604	5,541	9,145	416
79516	Saint Francis Hospital - Bartlett	4	0	3,364	2,896	6,260	1,565
79256	Saint Jude Children's Research Hospital	2	2	442	1,123	1,565	783
79246	The Regional Medical Center at Memphis	14	0	8,699	4,490	13,189	942
	Total	138	2	47,535	45,623	93,158	675

2010

ID #	Hospitals	ORs	Ded O/P	I/P	O/P	Total	Proc/OR
79216	Baptist Memorial Hospital	26	0	8,149	5,790	13,939	536
79326	Baptist Memorial Hospital - Collierville	6	0	1,168	1,731	2,899	483
79506	Baptist Memorial Hospital for Women	0	0	1,006	1,725	2,731	0
79386	Delta Medical Center	8	0	1,969	3,848	5,817	727
79306	Lebonheur Children's Medical Center	10	0	5,141	4,762	9,903	990
79276	Methodist Healthcare - Memphis Hospitals	13	0	6,328	3,476	9,804	754
79236	Methodist Hospital - Germantown	16	0	4,576	5,387	9,963	623
79296	Methodist Hospital - North	10	0	2,055	991	3046	305
79266	Methodist Hospital - South	6	0	1,089	1,245	2,334	389
79396	Saint Francis Hospital	22	0	3,428	5,837	9,265	421
79516	Saint Francis Hospital - Bartlett	4	0	3,569	3,747	7,316	1,829
79256	Saint Jude Children's Research Hospital	2	2	681	1,214	1,895	948
79246	The Regional Medical Center at Memphis	14	0	8,579	4,519	13,098	936
	Total	137	2	47,738	44,272	92,010	672

Source: 2008, 2009 & 2010 Hospital, JARs, Schedule D - Services

ASTC Utilization
Shelby County, 2008

Attachment B.III.A.4

Facility Name	Pts	OR s	Proc. Rms	Total Rm	Proc.	Proc/OR
Memphis Eye & Cataract ASTC	1,787	3	0	3	3,101	1,034
Memphis Surgery Center	1,902	4	1	5	6,659	1,332
Shea Ear Clinic, PA	6,797	2	0	2	2,061	1,031
Wesberry Surgery Center	124	1	3	4	196	49
Ridge Lake Ambulatory Surgery Center	2,946	3	1	4	4,756	1,189
Le Bonheur East Surgery Center II, LP	2,945	4	0	4	4,702	1,176
G I Diagnostic and Therapeutic Center	20,594	0	6	6	27,499	4,583
Baptist-EMSC	5,623	6	2	8	10,271	1,284
Germantown ASTC, LLC	126	1	1	2	295	148
Mays and Schnapp Pain Clinic & Rehab. C	4,818	2	0	2	9,496	4,748
Medical Ctr Endoscopy Group	7,750	0	4	4	7,938	1,985
Radiosurgical Ctr of Memphis	181	0	1	1	181	181
Memphis Gastroenterology Endoscopy Ctr	11,019	0	6	6	13,699	2,283
Midtown Surgery Ctr	1,591	4	0	4	2,885	721
Methodist Surgery Ctr Germantown, LP	7,689	4	1	5	12,598	2,520
Mid-South Gastroenterology Group	6,372	0	3	3	6,746	2,249
North Surgery Ctr, LP	3,145	4	1	5	3,678	736
UroCenter	2,164	3	0	3	2,274	758
Baptist Germantown Surgery Ctr	4,844	6	1	7	8,533	1,219
The West Clinic, PC	1,408	0	1	1	2,139	2,139
Campbell Surgery Ctr	6,161	4	1	5	6,161	1,232
Wolf River Surgery Ctr	6,410	4	2	6	7,851	1,309
Semmes Murphey Clinic	2,162	3	2	5	3,140	628
Endoscopy Ctr of the Mid-South, LLC	1,868	0	1	1	2,608	2,608
Surgery Ctr at Saint Francis	5,649	4	2	6	8,998	1,500
Eye Care Surgery Ctr of Memphis, LLC	999	2	1	3	1,452	484
Southwind Endoscopy Ctr, PLLC	927	0	2	2	1,008	504
Boston Baskin Cancer Group, PLC	1,683	0	2	2	9,101	4,551
Hamilton Eye Institute Surgery Ctr, LP	907	3	2	5	1,522	304
Total	120,591	67	47	114	171,548	1,505

Source: 2008 ASCT, JARs, Schedule D - Availability and Utilization of Services

ASTC Utilization
Shelby County, 2009

Facility Name	Pts	OR s	Proc. Rms	Total Rms	Proc.	Proc/OR
Memphis Eye and Cataract ASTC	1,637	3	0	3	2,954	985
Memphis Surgery Center	1,852	4	1	5	5,813	1,163
Shea Ear Clinic, PA	6,694	2	0	2	2,571	1,286
Wesberry Surgery Center	40	1	2	3	51	17
Ridge Lake Ambulatory Surgery Center	3,289	3	3	6	5,469	912
Le Bonheur East Surgery Center II, LP	3,218	4	0	4	5,346	1,337
G I Diagnostic and Therapeutic Center	15,823	0	6	6	21,515	3,586
Baptist-EMSC	5,987	6	1	7	5,987	855
Germantown ASTC, LLC	105	1	1	2	217	109
Mays and Schnapp Pain Clinic and Rehab. C	5,140	2	0	2	10,018	5,009
Medical Ctr Endoscopy Group	7,395	0	4	4	8,269	2,067
Radiosurgical Ctr of Memphis	155	0	1	1	155	155
Memphis Gastroenterology Endoscopy Ctr	11,790	0	6	6	14,665	2,444
Midtown Surgery Ctr	1,828	4	0	4	3,424	856
Methodist Surgery Ctr Germantown, LP	6,387	4	1	5	13,026	2,605
Mid-South Gastroenterology Group	6,791	0	3	3	7,009	2,336
North Surgery Ctr, LP	3,242	4	1	5	5,224	1,045
UroCenter	2,316	3	0	3	3,482	1,161
Baptist Germantown Surgery Ctr	3,203	6	1	7	7,816	1,117
The West Clinic, PC	1,294	0	1	1	2,165	2,165
Campbell Surgery Ctr	6,506	4	1	5	6,506	1,301
Wolf River Surgery Ctr	6,458	4	2	6	8,934	1,489
Semmes Murphey Clinic	3,027	3	2	5	4,177	835
Endoscopy Ctr of the Mid-South, LLC	1,801	0	1	1	2,760	2,760
Surgery Ctr at Saint Francis	5,596	4	2	6	9,321	1,554
Eye Care Surgery Ctr of Memphis, LLC	1,018	2	1	3	1,559	520
Southwind Endoscopy Ctr, PLLC	988	0	2	2	1,128	564
Boston Baskin Cancer Group, PLC	1,313	0	2	2	9,395	4,698
Hamilton Eye Institute Surgery Ctr, LP	2,478	3	2	5	4,100	820
Total	117,371	67	47	114	173,056	1,518

Source: 2009 ASCT, JARs, Schedule D - Availability and Utilization of Services

ASTC Utilization
Shelby County, 2010

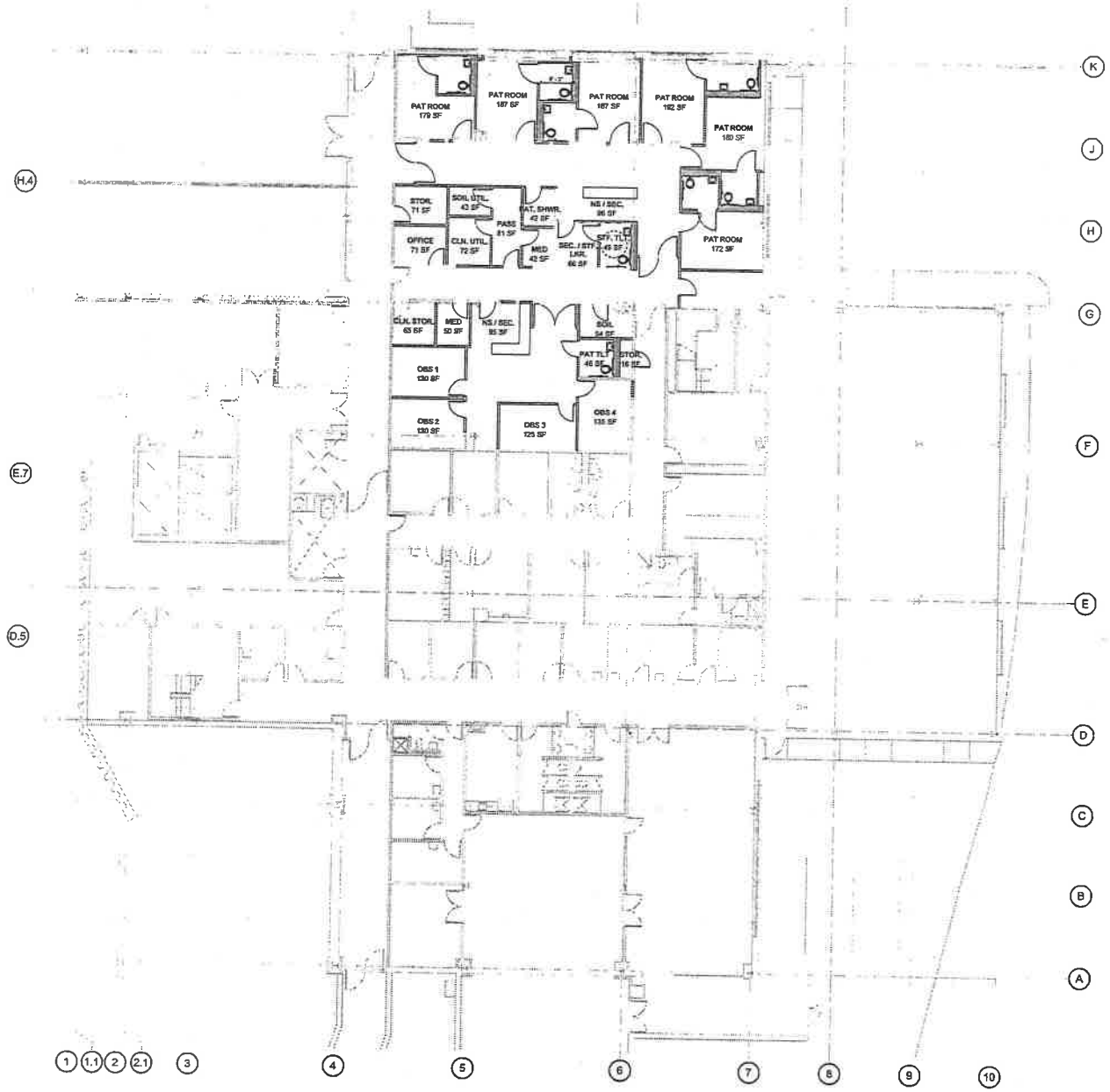
Facility Name	Pts	OR s	Proc. Rms	Total Rms	Proc.	Proc/OR
Memphis Eye and Cataract ASTC	1,682	3	0	3	3,027	1,009
Memphis Surgery Center	3,385	4	1	5	3,438	688
Shea Ear Clinic, PA	1,448	2	0	2	1,745	873
Wesberry Surgery Center	988	1	0	1	9,240	9,240
Ridge Lake Ambulatory Surgery Center	3,397	2	3	5	5,568	1,114
Le Bonheur East Surgery Center II, LP	3,579	4	0	4	5,810	1,453
G I Diagnostic and Therapeutic Center	15,830	0	6	6	20,913	3,486
Baptist-EMSC	6,013	6	2	8	11,565	1,446
Germantown ASTC, LLC	113	1	1	2	246	123
Mays and Schnapp Pain Clinic and Rehab. C	4,976	2	0	2	9,991	4,996
Medical Ctr Endoscopy Group	8,065	0	4	4	9,200	2,300
Radiosurgical Ctr of Memphis	174	0	1	1	174	174
Memphis Gastroenterology Endoscopy Ctr	9,302	0	6	6	11,512	1,919
Midtown Surgery Ctr	1,991	4	0	4	3,512	878
Methodist Surgery Ctr Germantown, LP	6,208	4	1	5	12,388	2,478
Mid-South Gastroenterology Group	6,990	1	2	3	7,005	2,335
North Surgery Ctr, LP	3,121	4	1	5	5,135	1,027
UroCenter	2,934	3	0	3	5,614	1,871
Baptist Germantown Surgery Ctr	3,768	6	1	7	7,441	1,063
The West Clinic, PC	2,087	0	3	3	2,143	714
Campbell Surgery Ctr	6,619	4	1	5	15,209	3,042
Wolf River Surgery Ctr	5,979	4	2	6	8,421	1,404
Semmes Murphey Clinic	3,081	3	2	5	4,340	868
Endoscopy Ctr of the Mid-South, LLC	1,884	0	1	1	2,648	2,648
Surgery Ctr at Saint Francis	5,803	4	2	6	5,803	967
Eye Care Surgery Ctr of Memphis, LLC	777	2	1	3	1,271	424
Southwind Endoscopy Ctr, PLLC	1,369	0	2	2	1,384	692
Boston Baskin Cancer Group, PLC	1,622	0	2	2	10,393	5,197
Hamilton Eye Institute Surgery Ctr, LP	2,687	3	2	5	4,538	908
Total	115,872	67	47	114	189,674	1,664

Source: 2010 ASCT, JARs, Schedule D - Availability and Utilization of Services

ASTC Utilization
Shelby County, 2011

ID#	Facility Name	Pts	OR s	Proc. Rms	Tot. Rms	Proc.	Proc/OR
79293	Memphis Eye and Cataract ASTC	1,749	3	0	3	2,952	984
79295	Memphis Surgery Center	2,915	4	1	5	6,922	1,384
79296	Shea Ear Clinic, PA	1,715	2	0	2	2,269	1,135
79297	Wesberry Surgery Center	837	1	0	1	837	837
79305	Ridge Lake Ambulatory Surgery Center	3,400	2	3	5	5,890	1,178
79603	Le Bonheur East Surgery Center II, LP	3,168	4	0	4	5,425	1,356
79604	G I Diagnostic and Therapeutic Center	16,023	0	6	6	21,286	3,548
79614	East Memphis Surgery Ctr	5,202	6	2	8	10,910	1,364
79617	Germantown ASTC, LLC	93	1	1	2	204	102
79620	Mays & Schnapp Pain Clinic & Rehab. C	1,889	2	0	2	11,117	5,559
79622	Medical Ctr Endoscopy Group	6,461	0	4	4	6,971	1,743
79628	Radiosurgical Ctr of Memphis	169	0	1	1	169	169
79632	Memphis Gastroenterology Endoscopy C	8,952	0	6	6	11,273	1,879
79633	Midtown Surgery Ctr	1,819	4	0	4	3,455	864
79639	Methodist Surgery Ctr Germantown, LP	5,186	4	1	5	11,502	2,300
79645	Mid-South Gastroenterology Group	6,831	0	3	3	6,581	2,194
79646	North Surgery Ctr, LP	2,621	4	1	5	5,391	1,078
79665	UroCenter	2,630	3	0	3	6,959	2,320
79669	Baptist Germantown Surgery Ctr	3,515	5	0	5	7,470	1,494
79687	The West Clinic, PC	2,436	0	3	3	2,988	996
79691	Campbell Surgery Ctr	7,008	4	1	5	15,127	3,025
79693	Wolf River Surgery Ctr	4,371	4	2	6	8,432	1,405
79694	Semmes Murphey Clinic	3,690	3	2	5	5,882	1,176
79720	Endoscopy Ctr of the Mid-South, LLC	1,642	0	1	1	2,556	2,556
79724	Surgery Ctr at Saint Francis	5,597	4	2	6	9,298	1,550
79725	Eye Care Surgery Ctr of Memphis, LLC	693	2	1	3	1,019	340
79728	Southwind Endoscopy Ctr, PLLC	1,361	0	2	2	1,375	688
79734	BMH Tipton Radiation Therapy	1,120	0	2	2	11,438	5,719
79751	Hamilton Eye Institute Surgery Ctr, LP	2,256	3	2	5	4,936	987
	Total	105,349	65	47	112	190,634	1,702

Source: 2011 ASCT, JARs, Schedule D - Availability and Utilization of Services



1 BASEMENT - 6 BED MED / SURG UNIT - TURNER TOWER
1/8" = 1'-0"

ANF ARCHITECTS

Architecture
Planning
Interior Design

APM
AMERICAN PROGRAM MANAGEMENT

WALL TYPE LEGEND

EXISTING WALL

WALL TO BE DEMOLISHED

NEW WALL

Attachment B.IV

AREA OF WORK

KEY PLAN

Number	Date	Description

SCHEMATIC DESIGN

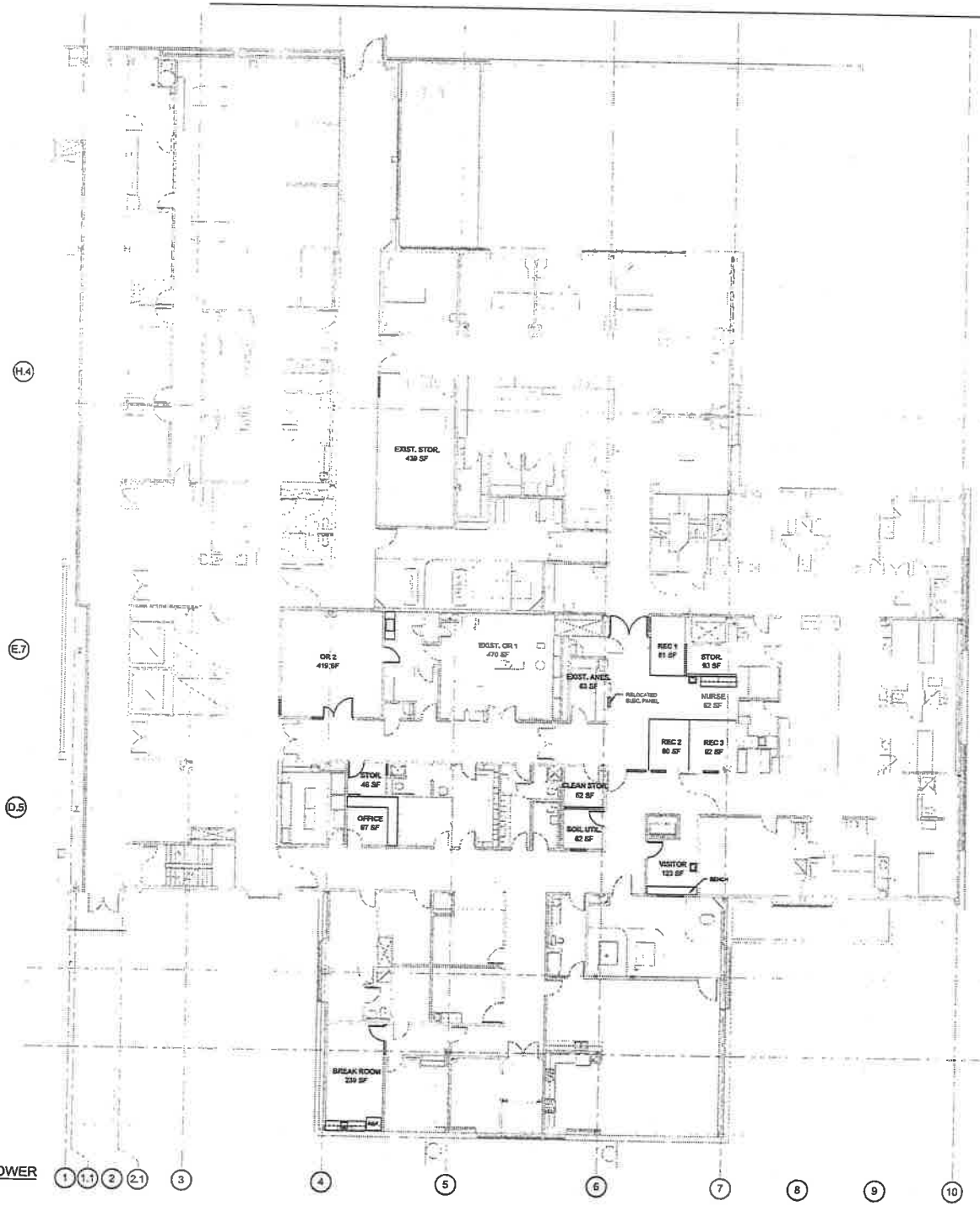
REGIONAL MEDICAL CENTER AT MEMPHIS

877 JEFFERSON AVE.
MEMPHIS, TN

TURNER TOWER RENOVATION

BASEMENT FLOOR PLAN - 6 BED MED / SURG UNIT - TURNER TOWER

JD	JPW	11065
07/24/12		A201



1 GROUND FLOOR - TURNER TOWER
1/8" = 1'-0"

219

ANF ARCHITECTS

Architecture
Planning
Interior Design

1600 Union Avenue
Memphis, TN 38104
Tel. 901-274-4466
www.anfa.com

GREATER DESIGN

APM
AMERICAN PROGRAM MANAGEMENT

WALL TYPE LEGEND

EXIST. WALL

WALL TO BE DEMOLISHED

NEW WALL

KEY PLAN

Revision Schedule		
Number	Date	Description

SCHEMATIC DESIGN

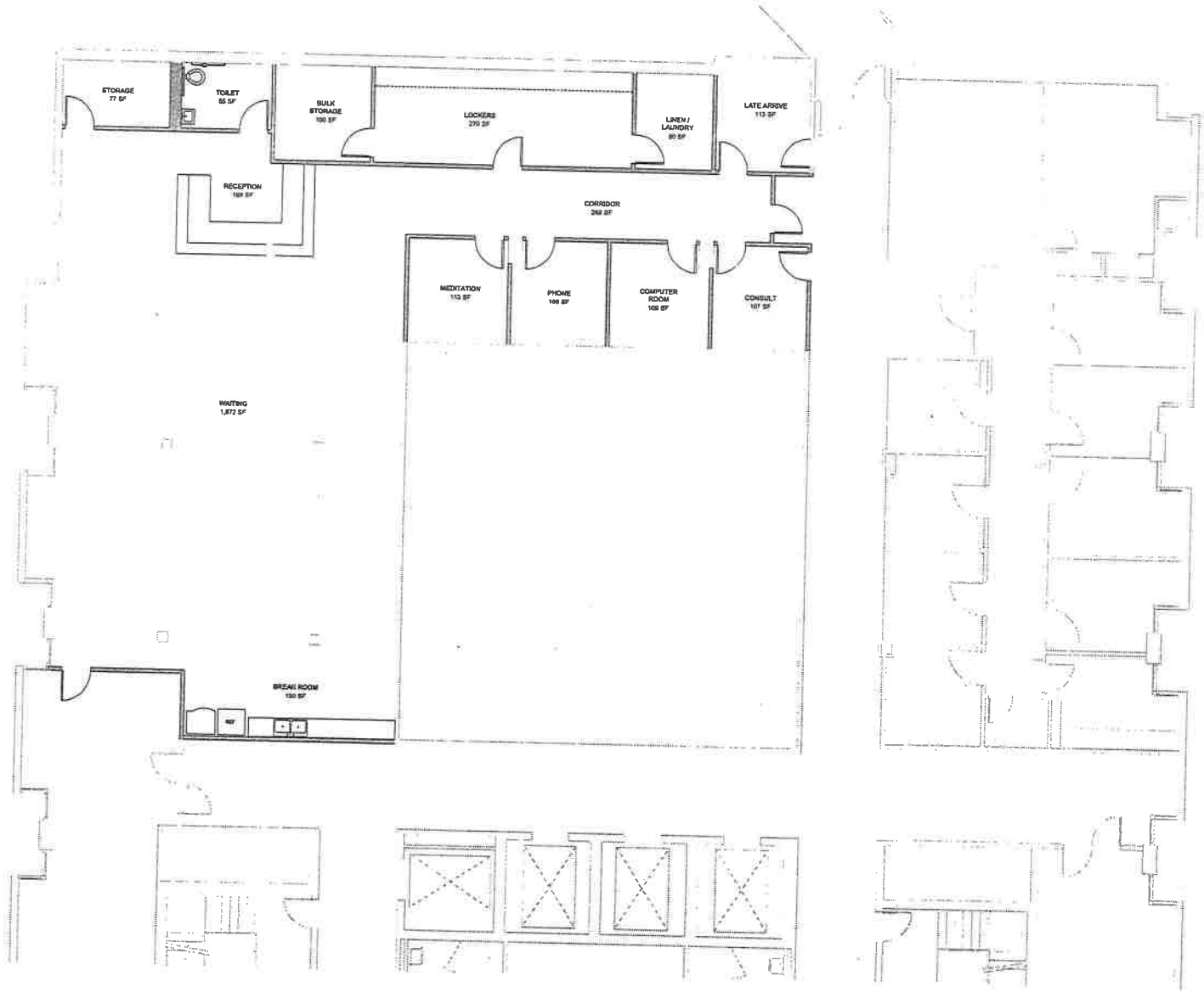
REGIONAL MEDICAL CENTER AT MEMPHIS

877 JEFFERSON AVE.
MEMPHIS, TN

TURNER TOWER RENOVATION

GROUND FLOOR PLAN - TURNER TOWER

JD	JPW	11052
DATE		SHEET #
07/31/12		A202



1 2ND FLOOR PLAN - CRITICAL WAITING - CHANDLER
N.T.S.

ANT ARCHITECTS

APM

WALL TYPE LEGEND

NEW WALL

SCHEMATIC DESIGN

REGIONAL MEDICAL CENTER AT MEMPHIS

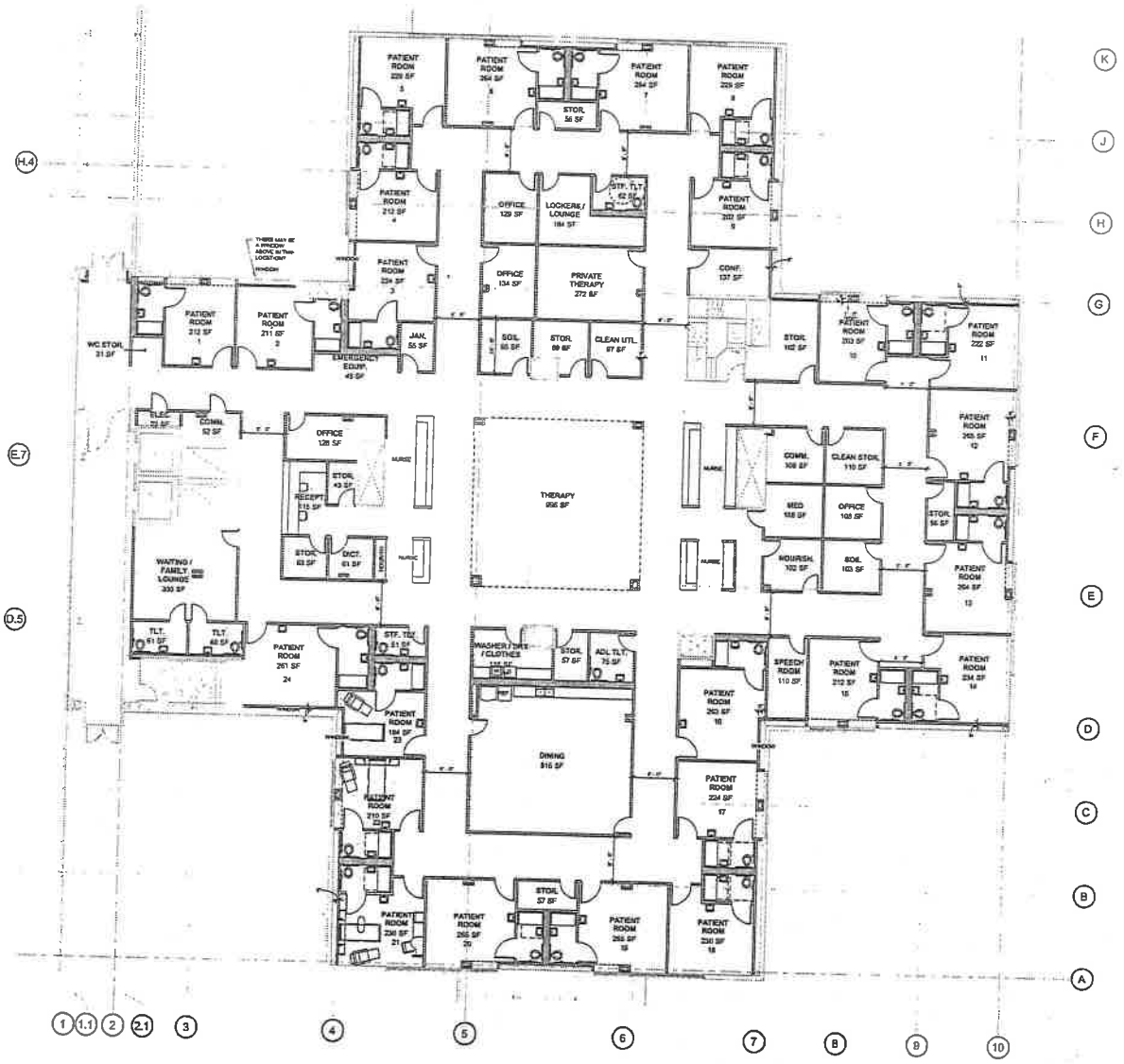
877 JEFFERSON AVE.
MEMPHIS, TN

TURNER TOWER RENOVATION

2ND FLOOR PLAN - CRITICAL WAITING - CHANDLER

07/11/12

A203-B



1 3RD FLOOR PLAN - REHAB - TURNER TOWER
N.T.S.

ANF ARCHITECTS

APM AMERICAN PREMIER MANAGEMENT

WALL TYPE LEGEND

EXISTING WALL

WALL TO BE DEMOLISHED

NEW WALL

SCHEMATIC DESIGN

REGIONAL MEDICAL CENTER AT MEMPHIS

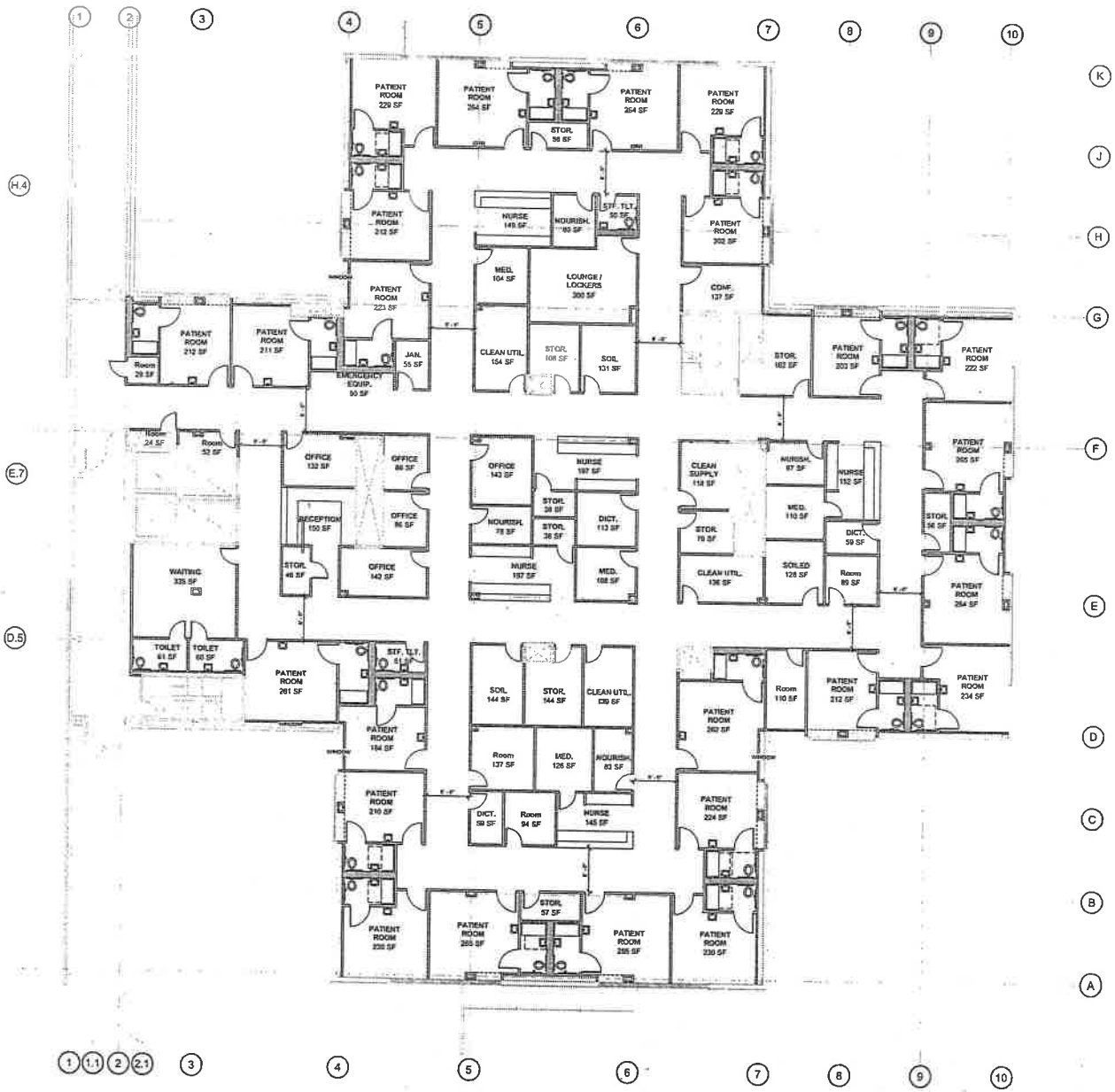
871 JEFFERSON AVE.
MEMPHIS, TN

TURNER TOWER RENOVATION

3RD FLOOR PLAN - REHAB - TURNER TOWER

JD JPW 11008

07/23/12 A204



1 4TH FLOOR PLAN - MED SURG - TURNER TOWER
N.T.S.

ANF ARCHITECTS

APM
AMERICAN PROGRAM MANAGEMENT

WALL TYPE LEGEND

EXISTING WALL

WALL TO BE DEMOLISHED

NEW WALL

KEY PLAN

SCHEMATIC DESIGN

REGIONAL MEDICAL CENTER AT MEMPHIS

877 JEFFERSON AVE
MEMPHIS, TN

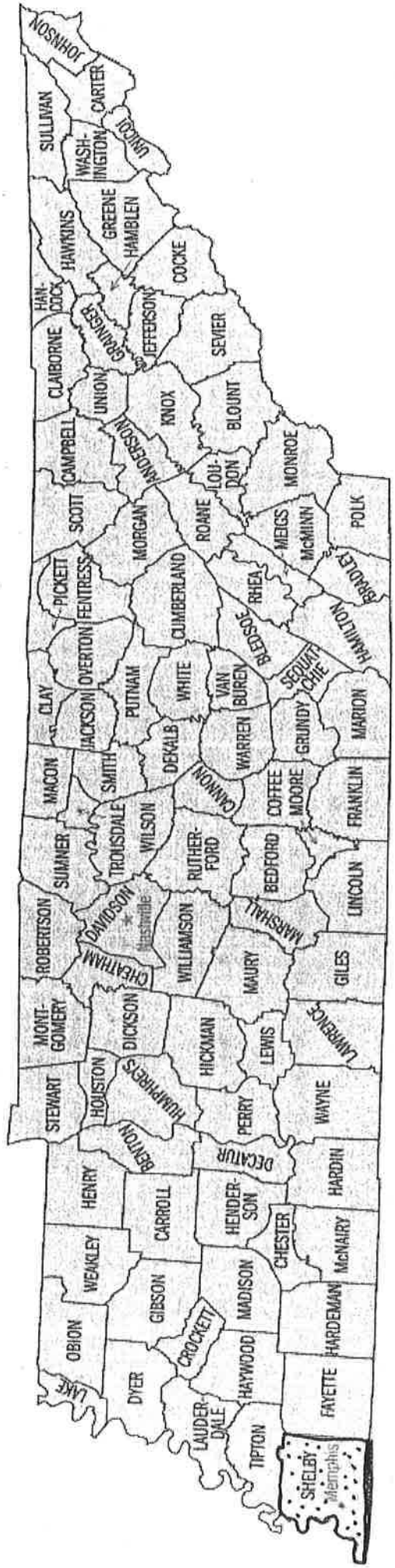
TURNER TOWER RENOVATION

4TH FLOOR PLAN - MED SURG - TURNER TOWER

JD JPW 11058

08/09/12 A205

Tennessee County Map



Shelby County, Tennessee

People QuickFacts	Shelby County	Tennessee
Population, 2011 estimate	935,088	6,403,353
Population, 2010 (April 1) estimates base	927,644	6,346,110
Population, percent change, April 1, 2010 to July 1, 2011	0.8%	0.9%
Population, 2010	927,644	6,346,105
Persons under 5 years, percent, 2011	7.2%	6.3%
Persons under 18 years, percent, 2011	26.1%	23.3%
Persons 65 years and over, percent, 2011	10.4%	13.7%
Female persons, percent, 2011	52.3%	51.3%
White persons, percent, 2011 (a)	43.6%	79.5%
Black persons, percent, 2011 (a)	52.3%	16.9%
American Indian and Alaska Native persons, percent, 2011 (a)	0.4%	0.4%
Asian persons, percent, 2011 (a)	2.4%	1.5%
Native Hawaiian and Other Pacific Islander persons, percent, 2011 (a)	0.1%	0.1%
Persons reporting two or more races, percent, 2011	1.3%	1.6%
Persons of Hispanic or Latino Origin, percent, 2011 (b)	5.8%	4.7%
White persons not Hispanic, percent, 2011	38.6%	75.4%
Living in same house 1 year & over, 2006-2010	81.6%	83.8%
Foreign born persons, percent, 2006-2010	6.0%	4.4%
Language other than English spoken at home, pct age 5+, 2006-2010	8.5%	6.2%
High school graduates, percent of persons age 25+, 2006-2010	84.9%	82.5%
Bachelor's degree or higher, pct of persons age 25+, 2006-2010	27.8%	22.7%
Veterans, 2006-2010	62,382	505,746
Mean travel time to work (minutes), workers age 16+, 2006-2010	22.4	23.9
Housing units, 2010	398,274	2,812,133
Homeownership rate, 2006-2010	61.7%	69.6%
Housing units in multi-unit structures, percent, 2006-2010	27.6%	18.1%
Median value of owner-occupied housing units, 2006-2010	$135,300	$134,100
Households, 2006-2010	340,443	2,443,475
Persons per household, 2006-2010	2.65	2.49
Per capita money income in past 12 months (2010 dollars) 2006-2010	$25,002	$23,722
Median household income 2006-2010	$44,705	$43,314
Persons below poverty level, percent, 2006-2010	19.7%	16.5%

Business QuickFacts	Shelby County	Tennessee
Private nonfarm establishments, 2009	20,262	132,901[1]
Private nonfarm employment, 2009	428,357	2,317,986[1]
Private nonfarm employment, percent change 2000-2009	-10.3%	-3.0%[1]
Nonemployer establishments, 2009	70,282	448,516
Total number of firms, 2007	76,350	545,348
Black-owned firms, percent, 2007	30.9%	8.4%
American Indian- and Alaska Native-owned firms, percent, 2007	0.3%	0.5%
Asian-owned firms, percent, 2007	3.4%	2.0%
Native Hawaiian and Other Pacific Islander-owned firms, percent, 2007	0.1%	0.1%
Hispanic-owned firms, percent, 2007	1.7%	1.6%
Women-owned firms, percent, 2007	30.8%	25.9%
Manufacturers shipments, 2007 ($1000)	17,969,681	140,447,760

Merchant wholesaler sales, 2007 ($1000)	29,636,012	80,116,528
Retail sales, 2007 ($1000)	11,932,863	77,547,291
Retail sales per capita, 2007	$12,971	$12,563
Accommodation and food services sales, 2007 ($1000)	1,787,964	10,626,759
Building permits, 2011	1,400	14,977
Federal spending, 2010	10,393,200	68,865,540[1]

Geography QuickFacts	Shelby County	Tennessee
Land area in square miles, 2010	763.17	41,234.90
Persons per square mile, 2010	1,215.5	153.9
FIPS Code	157	47
Metropolitan or Micropolitan Statistical Area	Memphis, TN-MS-AR Metro Area	

1: Includes data not distributed by county.

(a) Includes persons reporting only one race.
(b) Hispanics may be of any race, so also are included in applicable race categories.

D: Suppressed to avoid disclosure of confidential information
F: Fewer than 100 firms
FN: Footnote on this item for this area in place of data
NA: Not available
S: Suppressed; does not meet publication standards
X: Not applicable
Z: Value greater than zero but less than half unit of measure shown

Source U.S. Census Bureau: State and County QuickFacts. Data derived from Population Estimates, American Community Survey, Census of Population and Housing, State and County Housing Unit Estimates, County Business Patterns, Nonemployer Statistics, Economic Census, Survey of Business Owners, Building Permits, Consolidated Federal Funds Report
Last Revised: Thursday, 07-Jun-2012 13:40:15 EDT

State & County QuickFacts

Tennessee

People QuickFacts	Tennessee	USA
Population, 2011 estimate	6,403,353	311,591,917
Population, 2010	6,346,105	308,745,538
Population, percent change, 2000 to 2010	11.5%	9.7%
Population, 2000	5,689,283	281,421,906
Persons under 5 years, percent, 2010	6.4%	6.5%
Persons under 18 years, percent, 2010	23.6%	24.0%
Persons 65 years and over, percent, 2010	13.4%	13.0%
Female persons, percent, 2010	51.3%	50.8%
White persons, percent, 2010 (a)	77.6%	72.4%
Black persons, percent, 2010 (a)	16.7%	12.6%
American Indian and Alaska Native persons, percent, 2010 (a)	0.3%	0.9%
Asian persons, percent, 2010 (a)	1.4%	4.8%
Native Hawaiian and Other Pacific Islander, percent, 2010 (a)	0.1%	0.2%
Persons reporting two or more races, percent, 2010	1.7%	2.9%
Persons of Hispanic or Latino origin, percent, 2010 (b)	4.6%	16.3%
White persons not Hispanic, percent, 2010	75.6%	63.7%
Living in same house 1 year & over, 2006-2010	83.8%	84.2%
Foreign born persons, percent, 2006-2010	4.4%	12.7%
Language other than English spoken at home, pct age 5+, 2006-2010	6.2%	20.1%
High school graduates, percent of persons age 25+, 2006-2010	82.5%	85.0%
Bachelor's degree or higher, pct of persons age 25+, 2006-2010	22.7%	27.9%
Veterans, 2006-2010	505,746	22,652,496
Mean travel time to work (minutes), workers age 16+, 2006-2010	23.9	25.2
Housing units, 2010	2,812,133	131,704,730
Homeownership rate, 2006-2010	69.6%	66.6%
Housing units in multi-unit structures, percent, 2006-2010	18.1%	25.9%
Median value of owner-occupied housing units, 2006-2010	$134,100	$188,400
Households, 2006-2010	2,443,475	114,235,996
Persons per household, 2006-2010	2.49	2.59
Per capita money income in past 12 months (2010 dollars) 2006-2010	$23,722	$27,334
Median household income 2006-2010	$43,314	$51,914
Persons below poverty level, percent, 2006-2010	16.5%	13.8%

Business QuickFacts	Tennessee	USA
Private nonfarm establishments, 2009	132,901[1]	7,433,465
Private nonfarm employment, 2009	2,317,986[1]	114,509,626

Private nonfarm employment, percent change 2000-2009	-3.0%[1]	0.4%
Nonemployer establishments, 2009	448,516	21,090,761
Total number of firms, 2007	545,348	27,092,908
Black-owned firms, percent, 2007	8.4%	7.1%
American Indian- and Alaska Native-owned firms, percent, 2007	0.5%	0.9%
Asian-owned firms, percent, 2007	2.0%	5.7%
Native Hawaiian and Other Pacific Islander-owned firms, percent, 2007	0.1%	0.1%
Hispanic-owned firms, percent, 2007	1.6%	8.3%
Women-owned firms, percent, 2007	25.9%	28.8%
Manufacturers shipments, 2007 ($1000)	140,447,760	5,338,306,501
Merchant wholesaler sales, 2007 ($1000)	80,116,528	4,174,286,516
Retail sales, 2007 ($1000)	77,547,291	3,917,663,456
Retail sales per capita, 2007	$12,563	$12,990
Accommodation and food services sales, 2007 ($1000)	10,626,759	613,795,732
Building permits, 2010	16,475	604,610
Federal spending, 2009	65,525,306[1]	3,175,336,050[2]

Geography QuickFacts	Tennessee	USA
Land area in square miles, 2010	41,234.90	3,531,905.43
Persons per square mile, 2010	153.9	87.4
FIPS Code	47	

1: Includes data not distributed by county.
2: Includes data not distributed by state.

Population estimates for counties will be available in April, 2012 and for cities in June, 2012.

(a) Includes persons reporting only one race.
(b) Hispanics may be of any race, so also are included in applicable race categories.

D: Suppressed to avoid disclosure of confidential information
F: Fewer than 100 firms
FN: Footnote on this item for this area in place of data
NA: Not available
S: Suppressed; does not meet publication standards
X: Not applicable
Z: Value greater than zero but less than half unit of measure shown

Source U.S. Census Bureau: State and County QuickFacts. Data derived from Population Estimates, American Community Survey, Census of Population and Housing, State and County Housing Unit Estimates, County Business Patterns, Nonemployer Statistics, Economic Census, Survey of Business Owners, Building Permits, Consolidated Federal Funds Report
Last Revised: Tuesday, 17-Jan-2012 16:41:36 EST

Attachment C.Need.4.B

Find Shortage Areas: MUA/P by State and County

Shortage Designation Home
Find Shortage Areas
HPSA & MUA/P by Address
HPSA by State & County
HPSA Eligible for the Medicare Physician Bonus Payment

Criteria:
State: Tennessee
County: Shelby County
ID #: All

Results: 58 records found.

Name	ID#	Type	Score	Designation Date	Update Date
Shelby County					
Shelby Service Area					
CT 0201.00	03249	MUA	56.50	1994/07/12	
CT 0202.10					
CT 0205.12					
Shelby Service Area					
CT 0216.20	03250	MUA	51.00	1994/07/12	
CT 0219.00					
CT 0220.10					
CT 0220.21					
CT 0220.22					
CT 0221.11					
CT 0221.12					
CT 0222.10					
CT 0222.20					
CT 0223.10					
CT 0223.21					
CT 0223.30					
CT 0224.10					
CT 0224.21					
Nw Memphis Service Area					
CT 0002.00	07469	MUA	56.00	2005/04/06	
CT 0003.00					
CT 0004.00					
CT 0005.00					
CT 0006.00					
CT 0007.00					
CT 0008.00					
CT 0009.00					
CT 0010.00					
CT 0011.00					
CT 0012.00					
CT 0013.00					
CT 0014.00					
CT 0015.00					
CT 0017.00					
CT 0018.00					
CT 0019.00					
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CT 0021.00					
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CT 0024.00					
CT 0025.00					
CT 0027.00					
CT 0028.00					
CT 0030.00					
CT 0036.00					
CT 0069.00					
CT 0090.00					
CT 0099.00					
CT 0100.00					
CT 0101.10					
CT 0101.20					
CT 0102.10					
CT 0102.20					
CT 0103.00					
CT 0205.21					
CT 0205.22					

NEW SEARCH | MODIFY SEARCH CRITERIA

Find Shortage Areas: HPSA by State & County

Shortage Designation Home
Find Shortage Areas
HPSA & MUA/P by Address
HPSA Eligible for the Medicare Physician Bonus Payment
MUA/P by State & County

Criteria:

State: Tennessee
County: Shelby County
ID: All
Date of Last Update: All Dates
HPSA Score (lower limit): 0
Discipline: Primary Medical Care
Metro: All
Status: Designated
Type: All

Results: 113 records found.
(Satellite sites of Comprehensive Health Centers automatically assume the HPSA score of the affiliated grantee. They are not listed separately.)

HPSA Name	ID	Type	FTE	# Short	Score
157 - Shelby County					
Low Income - N.W. Memphis-Frayser	1479994706	Population Group	20	6	15
C.T. 0002.00		Census Tract			
C.T. 0003.00		Census Tract			
C.T. 0004.00		Census Tract			
C.T. 0005.00		Census Tract			
C.T. 0006.00		Census Tract			
C.T. 0007.00		Census Tract			
C.T. 0008.00		Census Tract			
C.T. 0009.00		Census Tract			
C.T. 0010.00		Census Tract			
C.T. 0011.00		Census Tract			
C.T. 0012.00		Census Tract			
C.T. 0013.00		Census Tract			
C.T. 0014.00		Census Tract			
C.T. 0015.00		Census Tract			
C.T. 0017.00		Census Tract			
C.T. 0018.00		Census Tract			
C.T. 0019.00		Census Tract			
C.T. 0020.00		Census Tract			
C.T. 0021.00		Census Tract			
C.T. 0022.00		Census Tract			
C.T. 0023.00		Census Tract			
C.T. 0024.00		Census Tract			
C.T. 0025.00		Census Tract			
C.T. 0027.00		Census Tract			
C.T. 0028.00		Census Tract			
C.T. 0030.00		Census Tract			
C.T. 0036.00		Census Tract			
C.T. 0089.00		Census Tract			
C.T. 0090.00		Census Tract			
C.T. 0099.00		Census Tract			
C.T. 0100.00		Census Tract			
C.T. 0101.10		Census Tract			
C.T. 0101.20		Census Tract			
C.T. 0102.10		Census Tract			
C.T. 0102.20		Census Tract			
C.T. 0103.00		Census Tract			
C.T. 0205.11		Census Tract			
C.T. 0205.12		Census Tract			
C.T. 0205.21		Census Tract			
C.T. 0205.22		Census Tract			
Low Income - Southwest Memphis	1479994707	Population Group	40	2	8
C.T. 0037.00		Census Tract			
C.T. 0038.00		Census Tract			
C.T. 0039.00		Census Tract			
C.T. 0040.00		Census Tract			
C.T. 0041.00		Census Tract			
C.T. 0044.00		Census Tract			
C.T. 0045.00		Census Tract			
C.T. 0046.00		Census Tract			
C.T. 0047.00		Census Tract			
C.T. 0048.00		Census Tract			
C.T. 0049.00		Census Tract			
C.T. 0050.00		Census Tract			
C.T. 0051.00		Census Tract			
C.T. 0053.00		Census Tract			
C.T. 0054.00		Census Tract			
C.T. 0055.00		Census Tract			
C.T. 0056.00		Census Tract			
C.T. 0057.00		Census Tract			
C.T. 0058.00		Census Tract			
C.T. 0059.00		Census Tract			
C.T. 0060.00		Census Tract			
C.T. 0061.00		Census Tract			
C.T. 0062.00		Census Tract			
C.T. 0063.00		Census Tract			
C.T. 0064.00		Census Tract			
C.T. 0065.00		Census Tract			
C.T. 0066.00		Census Tract			
C.T. 0067.00		Census Tract			
C.T. 0068.00		Census Tract			

C.T. 0069.00		Census Tract			
C.T. 0070.00		Census Tract			
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C.T. 0074.00		Census Tract			
C.T. 0075.00		Census Tract			
C.T. 0078.10		Census Tract			
C.T. 0078.21		Census Tract			
C.T. 0078.22		Census Tract			
C.T. 0079.00		Census Tract			
C.T. 0080.00		Census Tract			
C.T. 0081.10		Census Tract			
C.T. 0081.20		Census Tract			
C.T. 0082.00		Census Tract			
C.T. 0084.00		Census Tract			
C.T. 0104.10		Census Tract			
C.T. 0104.20		Census Tract			
C.T. 0105.00		Census Tract			
C.T. 0106.10		Census Tract			
C.T. 0106.20		Census Tract			
C.T. 0106.30		Census Tract			
C.T. 0108.10		Census Tract			
C.T. 0109.00		Census Tract			
C.T. 0110.10		Census Tract			
C.T. 0110.20		Census Tract			
C.T. 0217.31		Census Tract			
C.T. 0220.10		Census Tract			
C.T. 0220.21		Census Tract			
C.T. 0220.22		Census Tract			
C.T. 0221.11		Census Tract			
C.T. 0221.12		Census Tract			
C.T. 0222.10		Census Tract			
C.T. 0222.20		Census Tract			
C.T. 0223.10		Census Tract			
C.T. 0223.21		Census Tract			
C.T. 0223.22		Census Tract			
C.T. 0223.30		Census Tract			
C.T. 0224.10		Census Tract			
C.T. 0224.21		Census Tract			
C.T. 0224.22		Census Tract			
Federal Correctional Institution - Memphis	1479994730	Correctional Facility	0	1	12
Christ Community Health Services, Inc.	1479994793	Comprehensive Health Center		0	17
Memphis Health Center, Inc.	1479994795	Comprehensive Health Center		0	17

NEW SEARCH | MODIFY SEARCH CRITERIA

NOTE: On Thursday November 3, 2011, the list of designated HPSAs was updated to reflect the publication of the Federal Register Notice with the list of designated HPSAs as of September 1, 2011. HPSAs that were designated after September 1, 2011 are considered designated even though they are not on the federal register listing; HPSAs that have been placed in "proposed for withdrawal" or "no new data" status since September 1, 2011 will remain in that status until the publication of the next federal register notice. If there are any questions about the status of a particular HPSA or area, we recommend that you contact the state primary care office in your state; a listing can be obtained at http://bhpr.hrsa.gov/shortage/hpsas/primarycareoffices.html.

Inpatient Utilization
Shelby County Hospitals
2008-2010

Attachment C.Need.5

2008

Hospitals	I/P Days	# of Beds	Occ. Rate
Baptist Memorial Hospital	170,137	617	75.5%
Baptist Memorial Hospital - Collierville	10,663	61	47.9%
Baptist Memorial Hospital for Women	40,368	140	79.0%
Baptist Memorial Restorative Care Hospital	9,414	30	86.0%
Baptist Rehabilitation - Germantown	13,381	68	53.9%
Community Behavioral Health	7,511	50	41.2%
Delta Medical Center	34,707	170	55.9%
HealthSouth Rehabilitation Hospital	0	80	0.0%
HealthSouth Rehabilitation Hospital - Memphis North	11,991	40	82.1%
Lakeside Behavioral Health System	60,699	305	54.5%
Lebonheur Children's Medical Center	58,499	219	73.2%
Memphis Mental Health Institute	22,763	78	80.0%
Methodist Extended Care Hospital, Inc	10,446	36	79.5%
Methodist Healthcare - Memphis Hospitals	123,950	420	80.9%
Methodist Hospital - Germantown	74,335	209	97.4%
Methodist Hospital - North	53,925	199	74.2%
Methodist Hospital - South	34,373	144	65.4%
Saint Francis Hospital	122,788	519	64.8%
Saint Francis Hospital - Bartlett	30,075	100	82.4%
Saint Jude Children's Research Hospital	14,380	60	65.7%
Select Specialty Hospital - Memphis	12,303	34	99.1%
The Regional Medical Center at Memphis	121,879	365	91.5%
Total	1,038,587	3,944	72.1%

Source: 2008 JARs, Schedule F - Beds & G - Utilization ("0" = Not Reported on JAR)

2009

Hospitals	I/P Days	# of Beds	Occ. Rate
Baptist Memorial Hospital	169,911	619	75.2%
Baptist Memorial Hospital - Collierville	10,706	61	48.1%
Baptist Memorial Hospital for Women	37,498	140	73.4%
Baptist Memorial Restorative Care Hospital	9,331	30	85.2%
Baptist Rehabilitation - Germantown	12,963	68	52.2%
Community Behavioral Health	7,101	50	38.9%
Delta Medical Center	33,856	170	54.6%
HealthSouth Rehabilitation Hospital	0	80	0.0%
HealthSouth Rehabilitation Hospital - Memphis North	12,307	40	84.3%
Lakeside Behavioral Health System	59,900	305	53.8%
Lebonheur Children's Medical Center	60,865	219	76.1%
Memphis Mental Health Institute	23,702	78	83.3%
Methodist Extended Care Hospital, Inc	11,757	36	89.5%
Methodist Healthcare - Memphis Hospitals	123,000	426	79.1%
Methodist Hospital - Germantown	71,280	209	93.4%
Methodist Hospital - North	53,679	174	84.5%
Methodist Hospital - South	36,740	144	69.9%
Saint Francis Hospital	110,084	514	58.7%
Saint Francis Hospital - Bartlett	31,903	100	87.4%
Saint Jude Children's Research Hospital	14,812	60	67.6%
Select Specialty Hospital - Memphis	13,473	36	102.5%
The Regional Medical Center at Memphis	112,774	348	88.8%
Total	1,017,642	3,907	71.4%

Source: 2009 JARs, Schedule F - Beds & G - Utilization ("0" = Not Reported on JAR)

Inpatient Utilization
Shelby County Hospitals
2008-2010

2010

Hospitals	I/P Days	# of Beds	Occ. Rate
Baptist Memorial Hospital	170,084	616	75.6%
Baptist Memorial Hospital for Women	34,595	140	67.7%
Baptist Memorial Restorative Care Hospital	8,015	30	73.2%
Baptist Rehabilitation - Germantown	10,290	68	41.5%
Community Behavioral Health	6,726	50	36.9%
Delta Medical Center	34,384	170	55.4%
HealthSouth Rehabilitation Hospital	19,751	80	67.6%
HealthSouth Rehabilitation Hospital - Memphis North	13,114	40	89.8%
Lakeside Behavioral Health System	60,240	305	54.1%
Lebonheur Children's Medical Center	55,767	219	69.8%
Memphis Mental Health Institute	21,889	75	80.0%
Methodist Extended Care Hospital, Inc	11,379	36	86.6%
Methodist Healthcare - Memphis Hospitals	125,892	426	81.0%
Methodist Hospital - Germantown	76,571	276	76.0%
Methodist Hospital - North	57,534	219	72.0%
Methodist Hospital - South	33,566	144	63.9%
Saint Francis Hospital	97,823	500	53.6%
Saint Francis Hospital - Bartlett	29,378	100	80.5%
Saint Jude Children's Research Hospital	15,721	60	71.8%
Select Specialty Hospital - Memphis	12,680	38	91.4%
The Regional Medical Center at Memphis	101,189	348	79.7%
Three River Hospital	1,573	6	71.8%
Total	998,161	3,946	69.3%

Source: 2010 JARs, Schedule F - Beds & G - Utilization

July 23, 2012

J. Richard Wagers, Jr.
Senior Executive Vice President & CFO
Regional Medical Center at Memphis
877 Jefferson Avenue
Memphis TN 38103

Dear Mr. Wagers,

As Project Manager for the renovation of Turner Tower, I have reviewed the construction costs for this project, and believe that $17,368,137 is a sufficient estimate to complete this major renovation and build-out project.

Sincerely,

Warren N. Goodwin, FAIA
President & CEO

Cc: Graham Baker

100 Winner's Circle
Suite 440
Brentwood, TN 37027
www.apmproject.com

Regional Medical Center at Memphis

August 2, 2012

Melanie Hill, Executive Director
Health Services and Development Agency
500 Deaderick Street, Suite 850
Nashville, Tennessee 37243

Re: Shelby County Health Care Corporation, d/b/a, The Regional Medical Center at Memphis

Mrs. Hill:

I am the Chief Financial Officer for The Regional Medical Center at Memphis. Our latest financials, submitted with our Certificate of Need application, indicates that we have sufficient cash reserves to fund this $28,400,000 project.

This is to confirm that we still have sufficient cash reserves for this project and such are both available and designated for projects such as this.

Please contact me if you have any questions.

Sincerely,

J. Richard Wagers, Jr.
Sr. Executive Vice President and Chief Financial Officer

877 Jefferson Avenue Memphis, TN 38103 901.545.7100

Average Patient Charges - 2010
Shelby County Hospitals

ID #	Hospitals	Avg. Gross	Avg. Deduct.	Avg. Net
79216	Baptist Memorial Hospital	$8,230	$5,565	$2,665
79236	Methodist Hospital - Germantown	$10,941	$7,875	$3,066
79246	The Regional Medical Center at Memphis	$10,729	$8,613	$2,116
79256	Saint Jude Children's Research Hospital	$18,786	$13,458	$5,328
79266	Methodist Hospital - South	$10,745	$8,112	$2,633
79276	Methodist Healthcare - Memphis Hospitals	$10,735	$8,001	$2,734
79296	Methodist Hospital - North	$10,175	$7,839	$2,336
79306	Lebonheur Children's Medical Center	$11,630	$6,953	$4,677
79326	Three Rivers Hospital	$10,624	$6,562	$4,062
79386	Delta Medical Center	$4,658	$3,428	$1,230
79396	Saint Francis Hospital	$12,885	$10,416	$2,469
79446	Memphis Mental Health Institute	$1,155	$997	$158
79456	Lakeside Behavioral Health System	$1,503	$773	$730
79476	Community Behavioral Health	$1,326	$670	$656
79506	Baptist Memorial Hospital for Women	$4,072	$2,287	$1,785
79516	Saint Francis Hospital - Bartlett	$14,371	$11,682	$2,689
79756	HealthSouth Rehabilitation Hospital	$2,264	$1,058	$1,206
79766	Baptist Rehabilitation - Germantown	$4,371	$2,695	$1,676
79776	Baptist Memorial Restorative Care Hospital	$4,758	$3,491	$1,267
79786	Select Specialty Hospital - Memphis	$3,961	$2,328	$1,633
79796	Methodist Extended Care Hospital, Inc	$2,851	$1,516	$1,335
79806	HealthSouth Rehabilitation Hospital - Memphis North	$1,807	$608	$1,199

Source: 2010 JARs, Schedule E-Financial Data & Schedule G-Utilization

KPMG LLP
Morgan Keegan Tower
Suite 900
50 North Front Street
Memphis, TN 38103-1194

Independent Auditors' Report

The Board of Directors
Shelby County Health Care Corporation:

We have audited the accompanying balance sheets of Shelby County Health Care Corporation, a component unit of Shelby County, Tennessee (d/b/a The Regional Medical Center at Memphis – "The Med") as of June 30, 2011 and 2010, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of The Med's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Med's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shelby County Health Care Corporation as of June 30, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 1, 2011 on our consideration of The Med's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Med has not presented management's discussion and analysis that U.S. generally accepted accounting principles require to supplement, although not to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise The Med's basic financial statements. The supplementary information included in Schedules 1, 2 and 3 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

November 1, 2011

SHELBY COUNTY HEALTH CARE CORPORATION

Balance Sheets

June 30, 2011 and 2010

Assets		2011	2010
Current assets:			
Cash and cash equivalents	$	46,817,462	53,576,684
Investments		69,854,051	3,922,517
Patient accounts receivable, net of allowances for uncollectible accounts of $88,469,000 in 2011 and $96,148,000 in 2010		29,399,243	20,275,330
Other receivables		8,386,984	10,002,085
Other current assets		3,786,723	4,357,522
Total current assets		158,244,463	92,134,138
Restricted investments		5,840,419	5,235,876
Capital assets, net		53,815,538	53,074,615
Investments in joint ventures		—	441,193
Total assets	$	217,900,420	150,885,822
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	$	6,852,445	6,966,127
Accrued expenses and other current liabilities		27,094,079	28,609,681
Current installments of amounts payable to Shelby County		—	212,802
Total current liabilities		33,946,524	35,788,610
Amounts payable to Shelby County, excluding current installments		—	464,311
Accrued professional and general liability costs		6,500,000	11,082,000
Net postemployment benefit obligation		912,000	935,000
Total liabilities		41,358,524	48,269,921
Net assets:			
Invested in capital assets, net of related debt		53,815,538	52,397,502
Restricted for:			
Capital assets		3,301,588	4,372,870
Indigent care		687,422	651,783
Unrestricted		118,737,348	45,193,746
Total net assets		176,541,896	102,615,901
Commitments and contingencies			
Total liabilities and net assets	$	217,900,420	150,885,822

See accompanying notes to basic financial statements.

SHELBY COUNTY HEALTH CARE CORPORATION

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2011 and 2010

	2011	2010
Operating revenues:		
Net patient service revenue (including additional incremental reimbursement from various state agencies for participation in TennCare/Medicaid programs of approximately $97,917,000 in 2011 and $40,228,000 in 2010)	$ 328,120,318	251,036,699
Other revenue	10,217,937	9,944,314
Total operating revenues	338,338,255	260,981,013
Operating expenses:		
Salaries and benefits	135,198,480	131,437,995
Supplies and services	62,032,558	58,655,297
Physician and professional fees	33,124,144	33,003,305
Purchased medical services	13,129,867	13,266,244
Plant operations	12,994,559	11,208,352
Insurance	7,899,082	6,946,579
Administrative and general	14,883,262	14,627,901
Community services	2,080,755	382,640
Depreciation and amortization	11,028,768	11,754,357
Total operating expenses	292,371,475	281,282,670
Operating gain (loss)	45,966,780	(20,301,657)
Nonoperating revenues (expenses):		
Interest expense	(104,172)	(364,280)
Investment income	1,175,199	455,390
Appropriations from Shelby County	26,816,000	30,616,666
Other	72,188	(6,398,238)
Total nonoperating revenues, net	27,959,215	24,309,538
Increase in net assets	73,925,995	4,007,881
Capital appropriations from City of Memphis	—	2,000,000
Net assets, beginning of year	102,615,901	96,608,020
Net assets, end of year	$ 176,541,896	102,615,901

See accompanying notes to basic financial statements.

SHELBY COUNTY HEALTH CARE CORPORATION

Statements of Cash Flows

Years ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Receipts from and on behalf of patients and third-party payors	$ 320,374,535	251,903,847
Other cash receipts	10,673,732	10,942,031
Payments to suppliers	(149,011,390)	(138,848,211)
Payments to employees and related benefits	(136,731,550)	(131,859,586)
Net cash provided by (used in) operating activities	45,305,327	(7,861,919)
Cash flows from noncapital financing activity:		
Appropriations received from Shelby County	26,816,000	30,616,666
Net cash provided by noncapital financing activity	26,816,000	30,616,666
Cash flows from capital and related financing activities:		
Capital appropriations received from City of Memphis	—	2,000,000
Repayment of capital lease obligation	—	(1,591,384)
Repayment of amounts payable to Shelby County	(677,113)	(2,655,805)
Capital expenditures	(11,770,222)	(6,021,156)
Proceeds from sale of capital assets	16,521	2,410
Interest payments	(1,586,248)	(759,150)
Net cash used in capital and related financing activities	(14,017,062)	(9,025,085)
Cash flows from investing activities:		
Purchases of investments	(80,853,568)	(6,521,348)
Proceeds from sale of investments	13,248,929	5,376,696
Distributions received from joint venture	497,392	1,998,807
Investment income proceeds	2,243,760	390,027
Net cash (used in) provided by investing activities	(64,863,487)	1,244,182
Net (decrease) increase in cash and cash equivalents	(6,759,222)	14,973,844
Cash and cash equivalents, beginning of year	53,576,684	38,602,840
Cash and cash equivalents, end of year	$ 46,817,462	53,576,684

(Continued)

SHELBY COUNTY HEALTH CARE CORPORATION

Statements of Cash Flows

Years ended June 30, 2011 and 2010

	2011	2010
Reconciliation of operating gain (loss) to net cash provided by (used in) operating activities:		
Operating gain (loss)	$ 45,966,780	(20,301,657)
Adjustment to reconcile operating gain (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	11,028,768	11,754,357
Changes in operating assets and liabilities:		
Patients accounts receivable, net	(9,123,913)	2,062,927
Other receivables	1,615,101	(117,593)
Other current assets	570,799	1,006,663
Other assets	—	36,829
Accounts payable	(113,682)	(13,465,530)
Accrued expenses and other current liabilities	(33,526)	9,995,085
Accrued professional and general liability costs	(4,582,000)	952,000
Net postemployment benefit obligation	(23,000)	215,000
Net cash provided by (used in) operating activities	$ 45,305,327	(7,861,919)
Supplemental schedule of noncash investing and financing activities:		
Net increase in the fair value of investments	$ 412,172	63,895
Equity in loss of joint ventures	441,193	—
Impairment of investment in joint venture	—	(4,652,667)
Gain (loss) on capital asset disposals	15,991	(1,745,571)

See accompanying notes to basic financial statements.

(1) Organization and Summary of Significant Accounting Policies

Shelby County Health Care Corporation (d/b/a The Regional Medical Center at Memphis – "The Med") was incorporated on June 15, 1981, with the approval of the Board of County Commissioners of Shelby County, Tennessee (the County). The Med is a broad continuum healthcare provider that operates facilities owned by the County under a long-term lease. The lease arrangement effectively provided for the transfer of title associated with operating fixed assets and the long-term lease (for a nominal amount) of related real property. The lease expires in 2031.

The Med is a component unit of the County as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. The Med's component unit relationship to the County is principally due to financial accountability as defined in GASB Statement No. 14. The Med is operated by a 13-member board of directors, all of whom are appointed by the Mayor of the County and approved by the County Commission.

The Regional Medical Center Foundation (The Med Foundation) is a component unit of The Med principally due to The Med's financial accountability for The Med Foundation as defined in GASB Statement No. 14. The Med Foundation is operated by a board of directors, all of whom are appointed by The Med's board. The Med Foundation is a blended component unit of The Med because it provides services entirely to The Med. The Med Foundation issues separate audited financial statements, which can be obtained by writing to The Regional Medical Center Foundation, 877 Jefferson Avenue, Memphis, Tennessee 38103 or calling 901-545-7482.

GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, requires a management's discussion and analysis (MD&A) section providing an analysis of The Med's overall financial position and results of operations; however, The Med has chosen to omit the MD&A from these accompanying financial statements.

The significant accounting policies used by The Med in preparing and presenting its financial statements follow:

(a) Presentation

The financial statements include the accounts of The Med. All material intercompany accounts and transactions have been eliminated.

(b) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires that management make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues, and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Significant items subject to estimates and assumptions include the determination of the allowances for contractual adjustments and uncollectible accounts, reserves for professional and general liability claims, reserves for employee healthcare claims, net postretirement benefit cost and obligation, and estimated third-party payor settlements.

(Continued)

In addition, laws and regulations governing the Medicare, TennCare, and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates related to these programs will change by a material amount in the near term.

(c) Enterprise Fund Accounting

The Med's financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Pursuant to and as permitted by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, The Med has elected to not apply the provisions of any otherwise relevant pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989. The Med applies the provisions of all relevant pronouncements of the GASB and pronouncements of the FASB issued prior to November 30, 1989 that do not conflict with GASB pronouncements.

(d) Cash Equivalents

The Med considers investments in highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

(e) Investments and Investment Income

Investments are carried at fair value, principally based on quoted market prices. Investment income (including realized and unrealized gains and losses) from investments is reported as nonoperating revenue.

(f) Inventories

Inventories, consisting principally of medical supplies and pharmaceuticals, are stated at the lower of cost (first-in, first-out method) or replacement market.

(g) Investments in Joint Ventures

Investments in joint ventures consist of The Med's equity interests in joint ventures as measured by its ownership interest if The Med has an ongoing financial interest in or ongoing financial responsibility for the joint venture. The investments are initially recorded at cost and are subsequently adjusted for additional contributions, distributions, undistributed earnings and losses, and impairment losses.

(h) Capital Assets

Capital assets are recorded at cost, if purchased, or at fair value at the date of donation. Depreciation is provided over the useful life of each class of depreciable asset using the straight-line method. Maintenance and repairs are charged to operations. Major renewals and betterments are capitalized. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and the gain or loss, if any, is included in nonoperating revenues (expenses) in the accompanying statements of revenues, expenses, and changes in net assets.

(Continued)

The Med capitalizes interest cost on qualified construction expenditures, net of income earned on related trusteed assets, as a component of the cost of related projects. No such interest costs were capitalized in 2011 or 2010.

All capital assets other than land are depreciated using the following lives:

Land improvements	5 to 25 years
Buildings and improvements	10 to 40 years
Fixed equipment	5 to 25 years
Movable equipment	3 to 20 years
Software	3 years

(i) Impairment of Capital Assets

Capital assets are reviewed for impairment when service utility has declined significantly and unexpectedly. If such assets are no longer used, they are reported at the lower of carrying value or fair value. If such assets will continue to be used, the impairment loss is measured using the method that best reflects the diminished service utility of the capital asset. No charge related to impairment matters was required during 2011 or 2010.

(j) Compensated Absences

The Med's employees accumulate vacation, holiday, and sick leave at varying rates depending upon their years of continuous service and their payroll classification, subject to maximum limitations. Upon termination of employment, employees are paid all unused accrued vacation and holiday time at their regular rate of pay up to a designated maximum number of days. Since the employees' vacation and holiday time both accumulates and vests, an accrual for this liability is included in accrued expenses and other current liabilities in the accompanying balance sheets. An accrual is recognized for unused sick leave expected to be paid to employees eligible to retire.

(k) Net Assets

Net assets of The Med are classified into the following components:

- *Net assets invested in capital assets, net of related debt*, consist of capital assets net of accumulated depreciation and reduced by outstanding balances of any borrowings used to finance the purchase or construction of those assets.
- *Restricted net assets* include those net assets with limits on their use that are externally imposed (by creditors, grantors, contributors, or the laws and regulations of other governments).
- *Unrestricted net assets* are remaining net assets that do not meet the definition of invested in capital assets, net of related debt, or restricted.

When The Med has both restricted and unrestricted resources available to finance a particular program, it is The Med's policy to use restricted resources before unrestricted resources.

The Med Foundation historically and to-date does not maintain donor-restricted endowment funds, or any Board-designated endowments. The Med Foundation's Board has interpreted Tennessee's State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. In all material respects, income from The Med Foundation's donor-restricted endowment funds is itself restricted to specific donor-directed purposes, and is therefore accounted for within restricted net assets until expended in accordance with the donor's wishes. The Med Foundation oversees individual donor-restricted endowment funds to ensure that the fair value of the original gift is preserved.

(l) Statement of Revenues, Expenses, and Changes in Net Assets

For purposes of presentation, transactions deemed by management to be ongoing, major, or central to the provision of healthcare services, other than financing costs, are reported as operating revenues and operating expenses. Other transactions, such as interest expense, investment income, appropriations from Shelby County, gain (loss) on disposal of capital assets, and equity in earnings and impairment losses of joint ventures, are reported as nonoperating revenues and expenses.

(m) Net Patient Service Revenue

Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. Changes in estimates related to prior cost reporting periods resulted in an increase in net patient service revenue of approximately $613,000 and $642,000 in 2011 and 2010, respectively.

(n) Charity Care

The Med provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because The Med does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

(o) Income Taxes

The Med is a not-for-profit corporation organized by the approval of the Board of County Commissioners of the County and qualifies as a tax-exempt entity under Internal Revenue Code (IRC) Section 501(a) as organizations described in IRC Section 501(c)(3), and therefore related income is generally not subject to federal or state income taxes, except for tax on income from activities unrelated to its exempt purpose as described in IRC Section 512(a). Thus, no provision for income taxes has been recorded in the accompanying financial statements.

(p) Appropriations

The County has historically appropriated funds annually to The Med to partially offset the cost of medical care for indigent residents of the County. Appropriations for indigent residents from the County for 2011 and 2010 were approximately $26.8 million and $30.6 million, respectively. Appropriations from the County are reported as nonoperating revenue in the accompanying statements of revenues, expenses, and changes in net assets. During 2010, The Med received $2 million of capital appropriations from the City of Memphis. Capital appropriations are reported as such in the statements of revenues, expenses, and changes in net assets. No capital appropriations were received from the City of Memphis for the 2011 fiscal year.

(2) Deposits and Investments

The composition of cash and cash equivalents follows:

	2011	2010
Cash	$ 11,754,726	12,678,543
Money market funds	35,062,736	40,898,141
	$ 46,817,462	53,576,684

The Med's and The Med Foundation's bank balances that are considered to be exposed to custodial credit risk at June 30, 2011 and 2010 follow:

	2011	2010
Uninsured, uncollateralized, or collateralized by securities held by the pledging institution or by its trust department or agent in other than The Med's name	$ 35,750,935	40,933,252

Investments and restricted investments include amounts held by both The Med and The Med Foundation.

The composition of investments and restricted investments follows:

	2011	2010
U.S. agencies	$ 50,027,209	4,431,673
Certificates of deposit	6,683,600	480,000
Corporate bonds	16,007,992	2,061,327
Discount notes	208,323	—
U.S. government funds	434,413	804,608
Common stock	1,963,341	1,345,997
Accrued interest	369,592	34,788
	$ 75,694,470	9,158,393

Custodial credit risk is the risk that, in the event of a bank failure, an organization's deposits may not be returned. Neither The Med nor The Med Foundation has a deposit policy for custodial credit risk.

At June 30, 2011, The Med and The Med Foundation had investments in debt securities with the following maturities:

		Investment and restricted investment maturities (in years)			
	Fair value	Less than 6 months	6 months to 1 year	1 – 5 years	5+ years
U.S. agencies	$ 50,027,209	1,604,820	203,096	48,219,293	—
Corporate bonds	16,007,992	1,114,484	1,639,353	13,145,279	108,876
Discount notes	208,323	109,716	—	98,607	—
	$ 66,243,524	2,829,020	1,842,449	61,463,179	108,876

At June 30, 2010, The Med and The Med Foundation had investments in debt securities with the following maturities:

		Investment and restricted investment maturities (in years)			
	Fair value	Less than 6 months	6 months to 1 year	1 – 5 years	5+ years
U.S. agencies	$ 4,431,673	710,548	530,018	3,089,970	101,137
Corporate bonds	2,061,327	50,866	92,881	1,587,788	329,792
	$ 6,493,000	761,414	622,899	4,677,758	430,929

At June 30, 2011 and 2010, The Med Foundation had one investment totaling $434,413 and $778,387, respectively, in the SEI Daily Income Trust Government Fund that represents 5% or more of its total investments.

(Continued)

At June 30, 2011, The Med's and The Med Foundation's corporate bonds, collectively, had the following credit ratings:

	Fair value	Credit rating
$	163,054	BBB-
	315,156	BBB
	549,105	BBB+
	405,384	A-
	4,379,082	A
	5,310,862	A+
	4,263,703	AA-
	60,533	AA+
	561,113	AAA
$	16,007,992	

At June 30, 2010, The Med's and The Med Foundation's corporate bonds, collectively, had the following credit ratings:

	Fair value	Credit rating
$	48,582	BB+
	267,188	BBB-
	159,449	BBB
	456,229	BBB+
	268,681	A-
	569,756	A
	25,596	AA-
	61,038	AA+
	204,808	AAA
$	2,061,327	

The Med's and The Med Foundation's investments in discount notes at June 30, 2011 were not rated.

As of June 30, 2011, The Med's investment strategy, per its investment policy, is to provide liquidity to fund ongoing operating needs and to act as a repository for both the accumulation of cash reserves needed to cushion economic down cycles and to provide cash earmarked for strategic needs.

The portfolio objectives of The Med, listed in order of importance, are as follows:

1. Preserve principal.
2. Maintain sufficient liquidity to meet forecasted cash needs.
3. Maintain a diversified portfolio in order to minimize credit risk.

(Continued)

4. Maximize yield subject to the above criteria.

The authorized investments are as follows:

1. *Commercial Paper* – Any commercial paper issued by a domestic corporation with a maturity of 270 or less days that carries the highest rating by a recognized investor service, preferably Standard and Poor's and Moody's. Commercial paper shall not represent more than 50% of the portfolio.

2. *U.S. Treasury Securities* – U.S. Treasury notes, bills, and bonds with remaining maturities not to exceed one year. There is no upper limit restriction as to the maximum dollar amount or percentage of the portfolio that may be invested in U.S. Treasury securities.

3. *Bank Obligations* – Any certificate of deposit, time deposit, Eurodollar CD issued by a foreign branch of a U.S. bank, bankers' acceptance, bank note, or letter of credit issued by a (U.S.) bank possessing at least the second highest long-term debt rating from at least two recognized investor services, preferably Standard and Poor's and Moody's. Aggregate exposure to any bank may not exceed 20% of the portfolio. If aforementioned is not achieved, provision can be met by 100% collateralization by U.S. government securities.

4. *Repurchase Agreements* – Any Repurchase Agreement purchased from one of the top 25 U.S. banks or one of the primary dealers regulated by the Federal Reserve that is at least 102% collateralized by U.S. government obligations. Repurchase Agreements may not represent more than 20% of the portfolio.

5. *Funds* – Any open-end money market fund regulated by the U.S. government under Investment Company Act Rule 2a-7. Any investment fund regulated by a Registered Investment Advisor under Rule 3c-7. Such fund investment guidelines must state that "the fund will seek to maintain a $1 per share net asset value." The Company's investment in any one fund may not exceed 10% of the assets of the fund into which it is invested.

6. *United States Government Obligations* – Any obligation issued or backed (federal agencies) by the U.S. government with a maturity of 24 months or less. No more than 25% may be invested in obligations of any one federal agency.

The Finance Committee of the Board of Directors meets regularly to review asset allocation, investment selection, portfolio performance, and overall adherence to the investment policy guidelines.

As of June 30, 2011, The Med Foundation utilized one investment manager. This manager is required to make investments in adherence to The Med Foundation's current investment policy and objectives.

The Med Foundation follows an investment strategy focused on maximizing total return (i.e., aggregate return from capital appreciation and dividend and interest income) while adhering to certain restrictions designed to promote a conservative portfolio.

Specifically, the primary objective of The Med Foundation investment management strategy is to maintain an investment portfolio designed to generate a high level of current income with above-average stability.

Guidelines for investments and cash equivalents for The Med Foundation follow:

1. The Med Foundation's assets may be invested only in investment grade bonds rated Baa (or equivalent) or better as determined by Moody's Investor Service.
2. The overall market-weighted quality rating of the bond portfolio shall be no lower than A.
3. The Med Foundation's assets may be invested only in commercial paper rated P-2 (or equivalent) or better by Moody's Investor Service.
4. The market-weighted maturity of the base portfolio shall be no longer than 10 years.
5. Quality of the equity securities will be governed by the federal Employee Retirement and Income Security Act (ERISA), the Tennessee guidelines for investing trust funds, and the "prudent man rule."
6. Conservative option strategies may be used, with a goal of increasing the stability of the portfolio.

The Med Foundation limits investments in common stock to 40% of its investment portfolio. The remainder of the portfolio is to be invested in fixed income investments.

Investment income is comprised of the following:

	2011	2010
Dividend and interest income	$ 763,027	391,495
Net increase in the fair value of investments	412,172	63,895
	$ 1,175,199	455,390

(3) Business and Credit Concentrations

The Med grants credit to patients, substantially all of whom are local area residents. The Med generally does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g. Medicare, Medicaid, Blue Cross, and commercial insurance policies).

(Continued)

The mix of receivables from patients and third-party payors follows, before application of related valuation allowances:

	2011	2010
Commercial insurance	35%	35%
Patients	27	28
Medicaid/TennCare	24	26
Medicare	14	11
	100%	100%

(4) Other Receivables

The composition of other receivables follows:

	2011	2010
Accounts receivable from University of Tennessee Center for Health Services	$ 1,452,436	1,233,612
Accounts receivable from the County	108,984	285,264
Accounts receivable from the State of Tennessee	4,950,606	6,328,736
Grants receivable	956,230	639,187
Other	918,728	1,515,286
	$ 8,386,984	10,002,085

(5) Other Current Assets

The composition of other current assets follows:

	2011	2010
Inventories	$ 3,322,659	3,812,504
Prepaid expenses	464,064	545,018
	$ 3,786,723	4,357,522

(Continued)

(6) Capital Assets

Capital assets and related activity consist of the following:

	Balances at July 1, 2010	Additions	Retirements	Transfers	Balances at June 30, 2011
Capital assets not being depreciated:					
Construction in progress	$ —	4,608,122	—	(3,311,045)	1,297,077
Total book value of capital assets not being depreciated	—	4,608,122	—	(3,311,045)	1,297,077
Capital assets being depreciated:					
Land improvements	5,981,266	186,355	—	—	6,167,621
Buildings	65,236,701	—	—	—	65,236,701
Fixed equipment	105,021,720	2,413,817	—	18,587	107,454,124
Movable equipment	111,960,358	4,347,649	(498,002)	2,963,835	118,773,840
Software	13,836,343	214,279	—	328,623	14,379,245
Total book value of capital assets being depreciated	302,036,388	7,162,100	(498,002)	3,311,045	312,011,531
Less accumulated depreciation for:					
Land improvements	(5,234,433)	(108,373)	—	—	(5,342,806)
Buildings	(53,941,911)	(929,544)	—	—	(54,871,455)
Fixed equipment	(83,453,969)	(3,298,206)	—	—	(86,752,175)
Movable equipment	(93,375,806)	(6,119,399)	497,471	—	(98,997,734)
Software	(12,955,654)	(573,246)	—	—	(13,528,900)
Total accumulated depreciation	(248,961,773)	(11,028,768)	497,471	—	(259,493,070)
Capital assets being depreciated, net	53,074,615	(3,866,668)	(531)	3,311,045	52,518,461
Capital assets, net	$ 53,074,615	741,454	(531)	—	53,815,538

(Continued)

	Balances at July 1, 2009	Additions	Retirements	Transfers	Balances at June 30, 2010
Capital assets not being depreciated:					
Construction in progress	$ 1,735,031	583,542	(1,727,581)	(590,992)	—
Total book value of capital assets not being depreciated	1,735,031	583,542	(1,727,581)	(590,992)	—
Capital assets being depreciated:					
Land improvements	5,979,700	1,566	—	—	5,981,266
Buildings	65,236,701	—	—	—	65,236,701
Fixed equipment	104,615,645	406,075	—	—	105,021,720
Movable equipment	106,909,674	4,704,851	(245,159)	590,992	111,960,358
Software	13,511,221	325,122	—	—	13,836,343
Total book value of capital assets being depreciated	296,252,941	5,437,614	(245,159)	590,992	302,036,388
Less accumulated depreciation for:					
Land improvements	(5,116,611)	(117,822)	—	—	(5,234,433)
Buildings	(52,878,738)	(1,063,173)	—	—	(53,941,911)
Fixed equipment	(80,027,698)	(3,426,271)	—	—	(83,453,969)
Movable equipment	(87,332,417)	(6,268,148)	224,759	—	(93,375,806)
Software	(12,076,711)	(878,943)	—	—	(12,955,654)
Total accumulated depreciation	(237,432,175)	(11,754,357)	224,759	—	(248,961,773)
Capital assets being depreciated, net	58,820,766	(6,316,743)	(20,400)	590,992	53,074,615
Capital assets, net	$ 60,555,797	(5,733,201)	(1,747,981)	—	53,074,615

(7) Investments in Joint Ventures

The composition of investments in joint ventures follows:

	2011	2010
Investment in Memphis Managed Care Corporation (MMCC)	$ —	441,193

The Med was a 50% owner in MMCC, a TennCare managed care organization, with which The Med contracted to provide services to MMCC enrollees. MMCC is subject to certain regulatory minimum capital requirements and, in that respect, The Med had guaranteed capital deficiencies funding for MMCC up to The Med's proportionate ownership interest in MMCC. No accrual for this obligation was required at either June 30, 2011 or 2010. During fiscal 2008, The Med and University of Tennessee Medical Group entered into a contract to sell the assets of MMCC to a publicly held managed care company and The Med received cash distributions of $497,392 in fiscal 2011 and $1,998,807 in fiscal 2010 from the liquidation of the assets of MMCC. A gain of approximately $56,000 was recognized in 2011 related to the final liquidation of assets.

(Continued)

Memphis Medical Center Air Ambulance Service, Inc. (MMCAAS) is a nonmember not-for-profit corporation organized to operate an air ambulance service for the transportation of medical supplies, equipment, and injured or sick persons. MMCAAS was organized by The Med and two other local healthcare systems. The Med appoints one-third of the board members of MMCAAS and is entitled to one-third of the net assets of MMCAAS in the event of dissolution. During fiscal 2010, management evaluated its investment in MMCAAS and determined that realization of the Med's investment in MMCAAS at dissolution was not probable. Accordingly, management considered the investment impaired and recorded a valuation allowance of approximately $4,653,000 in fiscal 2010, which is included in other nonoperating expenses in the 2010 statement of revenues, expenses, and changes in net assets.

Separate audited financial statements for MMCC and MMCAAS are available and can be obtained by writing to the management of The Med at 877 Jefferson Avenue, Memphis, Tennessee 38103 or by calling 901-545-7482.

(8) Accrued Expenses and Other Current Liabilities

The composition of accrued expenses and other current liabilities follows:

	2011	2010
Due to third-party payors	$ 11,304,000	12,028,000
Compensated absences	6,521,686	6,844,120
Deferred grant revenue	16,558	476,156
Accrued payroll and withholdings	5,341,835	3,509,329
Accrued employee healthcare claims	1,510,000	1,770,000
Accrued interest	—	1,482,076
Current professional and general liability costs	2,400,000	2,500,000
	$ 27,094,079	28,609,681

(9) Amounts Payable to the County

The County has allocated proceeds from certain prior bond issuances to assist in funding The Med's acquisition of capital assets. A summary of related amounts payable to the County follows:

	2011	2010
Installment notes payable in annual principal payments, fully repaid in June 2011 with original maturity date of May 2013, plus interest of 5.0% to 5.6% due annually	$ —	677,113
Less current maturities	—	212,802
	$ —	464,311

(Continued)

A schedule of the changes in The Med's amounts payable to the County for 2011 and 2010 follows:

Description	Date of issuance	Balances at July 1, 2010	Additions	Payments	Balances at June 30, 2011	Due within one year
Notes payable - Shelby County	5/1/1993	$ 677,113	—	(677,113)	—	—

Description	Date of issuance	Balances at July 1, 2009	Additions	Payments	Balances at June 30, 2010	Due within one year
Notes payable - Shelby County	2/1/1988	$ 539,335	—	(539,335)	—	—
Notes payable - Shelby County	5/1/1993	945,095	—	(267,982)	677,113	212,802
Notes payable - Shelby County	12/1/2002	1,848,488	—	(1,848,488)	—	—
		$ 3,332,918	—	(2,655,805)	677,113	212,802

Interest paid was approximately $1,586,000 and $759,000 in 2011 and 2010, respectively.

(10) Net Patient Service Revenue

The Med has agreements with governmental and other third-party payors that provide for reimbursement to The Med at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between billings at established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors follows:

- *Medicare* – Substantially all acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. Certain types of exempt services and other defined payments related to Medicare beneficiaries are paid based on cost reimbursement or other retroactive-determination methodologies. The Med is paid for retroactively determined items at tentative rates with final settlement determined after submission of annual cost reports by The Med and audits thereof by the Medicare fiscal intermediary.

  The Med's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. The Med's Medicare cost reports have been audited and settled by the Medicare fiscal intermediary through June 30, 2006. Revenue from the Medicare program accounted for approximately 16% and 17% of The Med's net patient service revenue for the years ended June 30, 2011 and 2010, respectively.

- *TennCare* – Under the TennCare program, patients traditionally covered by the State of Tennessee Medicaid program and certain members of the uninsured population enroll in managed care organizations that have contracted with the State of Tennessee to ensure healthcare coverage to their enrollees. The Med contracts with the managed care organizations to receive reimbursement for providing services to these patients. Payment arrangements with these managed care organizations consist primarily of prospectively determined rates per discharge, discounts from established charges, or prospectively determined per diem rates. Revenue from the TennCare program accounted for approximately 27% and 32% of The Med's net patient service revenue for the years ended June 30, 2011 and 2010, respectively.

(Continued)

The Med has historically received incremental reimbursement in the form of Essential Access payments through its participation in the TennCare Program. Amounts received by The Med under this program were approximately $90.2 million and $34.2 million in 2011 and 2010, respectively. These amounts have been recognized as reductions in related contractual adjustments in the accompanying statements of revenues, expenses, and changes in net assets. There can be no assurance that The Med will continue to qualify for future participation in this program or that the program will not ultimately be discontinued or materially modified. Any material reduction in such funds has a correspondingly material adverse effect on The Med's operations.

- *Arkansas Medicaid* – Substantially all inpatient and outpatient services rendered to Arkansas Medicaid program beneficiaries are paid under prospective reimbursement methodologies established by the State of Arkansas. Certain other reimbursement items (principally inpatient nursery services and medical education costs) are based upon cost reimbursement methodologies. The Med is reimbursed for cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by The Med and audits thereof by the Arkansas Department of Health and Human Services (DHHS). The Med's Arkansas Medicaid cost reports have been audited and settled by the Arkansas DHHS through June 30, 2005. Revenue from the State of Arkansas Medicaid program accounted for approximately 1% of The Med's net patient service revenue for both the years ended June 30, 2011 and 2010.

  The Med has historically received incremental reimbursement in the form of Upper Payment Limit (UPL) and Disproportionate Share payments through its participation in the State of Arkansas Medicaid program. The net benefit for The Med associated with this program, totaling approximately $3.4 million and $2.4 million for the years ended June 30, 2011 and 2010, respectively, has been recognized as a reduction in related contractual adjustments in the accompanying statements of revenues, expenses, and changes in net assets. There can be no assurance that The Med will continue to qualify for future participation in this program or that the program will not ultimately be discontinued or materially modified.

- *Mississippi Medicaid* – Inpatient and outpatient services rendered to Mississippi Medicaid program beneficiaries are generally paid based upon prospective reimbursement methodologies established by the State of Mississippi. Revenue from the State of Mississippi Medicaid program accounted for approximately 2% of The Med's net patient service revenue for both the years ended June 30, 2011 and 2010.

  The Med has historically received incremental reimbursement in the form of Disproportionate Share and additional appropriation payments through its participation in the State of Mississippi Medicaid program. The net benefit for The Med associated with this program, totaling approximately $4.4 million and $3.6 million for the years ended June 30, 2011 and 2010, respectively, has been recognized as a reduction in related contractual adjustments in the accompanying statements of revenues, expenses, and changes in net assets.

- *Other* – The Med has also entered into other reimbursement arrangements providing for payment methodologies, which include prospectively determined rates per discharge, per diem amounts, and discounts from established charges.

The composition of net patient service revenue follows:

	2011	2010
Gross patient service revenue	$ 872,788,467	835,005,580
Less provision for contractual and other adjustments	465,982,310	478,088,787
Less provision for bad debts	78,685,839	105,880,094
Net patient service revenue	$ 328,120,318	251,036,699

The composition of incremental reimbursement from various state agencies for participation in TennCare/Medicaid programs follows:

	2011	2010
TennCare Essential Access	$ 90,176,479	34,229,596
Arkansas UPL/Disproportionate Share	3,374,913	2,436,043
Mississippi Disproportionate Share	4,365,373	3,562,019
Total payments	$ 97,916,765	40,227,658

In the spring of 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act (collectively, the Health Care Acts) were signed into law by President Obama. The impact of the Health Care Acts is complicated and difficult to predict, but The Med anticipates its reimbursement in the future will be affected by major elements of the Health Care Acts designed to (1) increase insurance coverage, (2) change provider and payor behavior, and (3) encourage alternative delivery models. Many healthcare reform variables remain unknown and are, among other things, dependent on implementation by federal and state governments and reactions by providers, payors, employers, and individuals. The Med continues to monitor developments in healthcare reform and participates actively in contemplating and designing new programs that are encouraged and/or required by the Health Care Acts.

The Health Information Technology for Economic and Clinical Health (HITECH) Act was enacted as part of the American Recovery and Reinvestment Act of 2009 and signed into law in February 2009. In the context of the HITECH Act, The Med must implement a certified Electronic Health Record (EHR) in an effort to promote the adoption of "meaningful use" of health information technology (HIT). The HITECH Act includes significant monetary incentives and payment penalties meant to encourage the adoption of EHR technology. The Med anticipates that its current efforts at implementing an enterprise-wide EHR will enable its compliance with the Meaningful Use objectives mandated in the HITECH legislation.

(11) Charity Care

The Med maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. Charges foregone, based on established rates, were approximately $257.0 million and $250.7 million in 2011 and 2010, respectively. In 2008, the Med implemented processes to better identify and record its

charity care, including a discount from standard charges for uninsured patients. Such discount is included in the charges forgone, as The Med does not pursue collection and totaled approximately $119.0 million and $113.2 million in 2011 and 2010, respectively.

(12) Retirement Plans

(a) Defined Benefit Plan

The Med contributes to the Shelby County Retirement System (the Retirement System), a cost-sharing single-employer defined benefit public employee retirement system (PERS) established by Shelby County, Tennessee. The Retirement System is administered by a board, the majority of whose members are nominated by the Shelby County Mayor, subject to approval by the Shelby County Board of Commissioners. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Shelby County Retirement System, Suite 950, 160 North Main, Memphis, Tennessee 38103 or calling 901-545-3570.

Shelby County provides office space and certain administrative services at no cost to the Retirement System. All other costs to administer the plan are paid from plan earnings.

Substantially all full-time and permanent part-time employees of Shelby County (including The Med and Shelby County's other component units), other than the Shelby County Board of Education employees, employees who have elected to be covered by Social Security, employees designated as Comprehensive Employment Training Act employees after July 1, 1979, and certain employees of The Med are required, as a condition of employment, to participate in the Retirement System.

The Retirement System consists of three plans (Plans A, B, and C). In 1990, Plans A and B were merged into one reporting entity, whereby total combined assets of the merged plans are available for payment of benefits to participants of either of the two previously existing plans. In 2005, Plan C was added and merged with Plans A and B for funding purposes. While the plans were merged, the Retirement System has retained the membership criteria of the previous plans, which are as follows:

- Plan C, a contributory cost-sharing multiple-employer defined benefit pension plan for employees who are also eligible for Plan A,
- Plan B, a contributory cost-sharing multiple-employer defined benefit pension plan for employees hired prior to December 1, 1978, and
- Plan A, a noncontributory cost-sharing multiple-employer defined benefit pension plan for employees hired on or after December 1, 1978, and those employees that elected to transfer to Plan A from Plan B before January 1, 1981.

The Shelby County Board of Commissioners establishes the Retirement System's benefit provisions. Once a person becomes a participant, that person will continue to participate as long as he or she is an employee of Shelby County or The Med. The Retirement System provides retirement, as well as survivor and disability defined benefits.

The Retirement System's funding policy for employee contribution requirements is established by the Board of Administration of the Retirement System (the Board). The Shelby County Board of Commissioners establishes the Retirement System's funding policy for employer contribution requirements. For fiscal years 2011, 2010, and 2009, the employer contribution requirements were based on the actuarially determined contribution rates, which were 9.21%, 7.25%, and 5.91%, respectively.

The actuarially determined contribution rate was calculated using a projected unit credit service pro rata cost method for Plan A, Plan B, and Plan C participants.

For fiscal years 2011, 2010, and 2009, the following contributions were made to the defined benefit plans:

		2011	2010	2009
The Med's contributions:				
Plan A	$	317,039	495,711	343,155
Plan B		164	375	283
Plan C		134,580	224,122	53,188
Employee contributions:				
Plan B		89	213	167
Plan C		48,938	119,831	83,842

The contributions as a percentage of earned compensation were the same as those for the Retirement System. The Med contributed 100% of its required contributions in 2011, 2010, and 2009.

(b) Defined Contribution Plan

Effective July 1, 1985, The Med established, under the authority of its Board of Directors, The Regional Medical Center at Memphis Retirement Investment Plan, a defined contribution pension plan covering employees 21 years of age and older who have completed one year of service, as defined, and are not participating in any other pension program to which The Med makes contributions. The plan provides for employee contributions of between 2% and 6% of compensation and for equal matching contributions made by The Med. Participants are immediately vested in their contributions plus actual earnings thereon. Participants vest 20% in the employers matching contributions after two years of service, 50% after three years, 75% after four years, and 100% after five years. Forfeitures are returned to The Med to reduce future matching contributions. For the defined contribution plan, The Med contributed approximately $2.1 million to the plan for the year ended 2010. Defined contribution plan participants contributed approximately $2.8 million to the plan for the year ended 2010. The defined contribution plan ceased accepting contributions on September 30, 2009; therefore, there were no contributions by The Med or participants for the year ended June 30, 2011.

Effective October 1, 2009, The Med established, under the authority of its Board of Directors, The Regional Medical Center at Memphis 403(b) Retirement Plan, a defined contribution pension plan

covering employees 21 years of age and older who have completed one year of service. The plan provides for a 50% employer match on employee contributions up to 6% of employee compensation. Participants are immediately vested in their contributions plus actual earnings thereon. Participants vest 20% in the employers matching contributions after two years of service, 50% after three years, 75% after four years, and 100% after five years. Forfeitures remain in the plan for the benefit of other participants. The Med contributed $1.1 million to the 403(b) plan for both the years ended June 30, 2011 and 2010. 403(b) plan participants contributed approximately $2.8 million and $2.6 million to the 403(b) plan for the years ended June 30, 2011 and 2010, respectively.

Effective December 2010, The Med established, under the authority of its Board of Directors, The Regional Medical Center at Memphis Nonqualified Supplemental Retirement Plan (Supplemental Retirement Plan). The Supplemental Retirement Plan was formed under Section 457(f) of the IRC of 1986, and management believes that it complies with all provisions applicable to a nonqualified deferred compensation plan under IRC Section 409A. Plan participants contributed approximately $235,000 to the plan for the year ended June 30, 2011.

(13) Postretirement Benefit Plan

Regional Medical Center Healthcare Benefit Plan (the Plan) is a single-employer defined benefit healthcare plan sponsored and administered by The Med. The Plan provides medical and life insurance benefits to eligible retirees and their spouses. The Med's Board of Directors is authorized to establish and amend all provisions. The Med does not issue a publicly available financial report that includes financial statements and required supplementary information for the Plan.

During fiscal year 2010, The Med's Board of Directors approved a plan amendment which eliminated medical coverage for those employees who did not have 15 years of service as of December 31, 2009 and eliminated life insurance coverage for those employees retiring January 1, 2010 or later.

(a) Funding Policy

The contribution requirements of employees and the Plan are established and may be amended by The Med's Board of Directors. Monthly contributions are required by retirees who are eligible for coverage. The Med pays for costs in excess of required retiree contributions. These contributions are assumed to increase based on future medical plan cost increases. For fiscal 2011 and 2010, The Med contributed approximately $1,171,000 and $1,116,000, respectively, net of retiree contributions, to the Plan. Plan members receiving benefits contributed approximately $304,000 in fiscal 2011 and $432,000 in fiscal 2010 through their required contributions. The following table summarizes the monthly contribution rates for the year beginning July 1, 2009:

	Single	Family
Pre-Medicare	$ 1,343	1,498
Pre-Medicare Eligible	475	287

(Continued)

(b) Annual OPEB Cost and Net OPEB Obligation

The Med's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of 30 years. The following table shows the components of The Med's annual OPEB cost for fiscal 2011 and 2010, the amounts actually contributed to the Plan, and changes in The Med's net OPEB obligation:

	2011	2010
Annual required contributions and annual OPEB cost	$ 1,148,234	1,330,635
Contributions made	1,171,234	1,115,635
(Decrease) increase in net OPEB obligation	(23,000)	215,000
Net OPEB obligation, beginning of year	935,000	720,000
Net OPEB obligation, end of year	$ 912,000	935,000

(c) Three-Year Trend Information

Fiscal year ended	Annual OPEB cost	Percentage of annual OPEB cost contributed	Net OPEB obligation
6/30/11	$ 1,148,234	102%	$ 912,000
6/30/10	1,330,635	84%	935,000
6/30/09	1,831,095	87%	720,000

(d) Funded Status and Funding Progress – Required Supplementary Information

As of July 1, 2010, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was $24,469,273 resulting in an unfunded actuarial accrued liability (UAAL) of $24,469,273.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, as presented below as required supplementary information, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

(e) Schedule of Funding Progress – Required Supplementary Information

Analysis of the Plan's funding status follows:

Actuarial valuation date	Actuarial value of plan assets	Actuarial accrued liability (AAL)	Plan assets less than AAL	Funded ratio	Covered payroll	AAL as of a% of covered payroll
7/1/2010	$ —	24,469,273	24,469,273	0.0%	$ 21,995,253	111.0%
7/1/2009	—	24,769,964	24,769,964	0.0%	67,042,048	36.9%
7/1/2008	—	25,656,247	25,656,247	0.0%	73,447,453	34.9%

(f) Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2010 actuarial valuation, the projected unit credit actuarial method was used. The actuarial assumptions included a 3% investment rate of return, which is a long-term rate of return on general account assets, and an annual inflation rate and annual healthcare cost trend rate of 8.4%, reducing each year until it reaches an annual rate of 4.5% in 2027. The UAAL is being amortized, using a level percent of pay method, over a 30-year period under the Projected Unit Credit Method.

(14) Transactions with University of Tennessee Center for Health Services

The Med contracts with University of Tennessee Center for Health Services (UTCHS) and University of Tennessee Medical Group (UTMG) to provide, among other things, The Med's house staff, professional supervision of certain ancillary departments and professional care for indigent patients. The Med also provides its facilities as a teaching hospital for UTCHS.

Operating expenses include approximately $40.0 million in 2011 and $40.2 million in 2010 for all professional and other services provided by UTCHS/UTMG.

(15) Risk Management

The Med has a self-insurance program for professional and general liability risks, both with respect to claims incurred after the effective date of the program and claims incurred but not reported prior to that date. The Med has not acquired any excess coverage for its self-insurance because The Med is afforded sovereign immunity in accordance with applicable statutes. Presently, sovereign immunity limits losses to $300,000 per claim. The Med has recorded an accrual for self-insurance losses totaling approximately $8.9 million and $13.6 million at June 30, 2011 and 2010, respectively.

Incurred losses identified through The Med's incident reporting system and incurred but not reported losses are accrued based on estimates that incorporate The Med's current inventory of reported claims and

historical experience, as well as considerations such as the nature of each claim or incident, relevant trend factors, and advice from consulting actuaries.

The following is a summary of changes in The Med's self-insurance liability for professional and general liability costs for fiscal 2011 and 2010:

		2011	2010
Balance at July 1	$	13,582,000	12,880,000
Provision for claims reported and claims incurred but not reported		5,338,000	5,302,000
Claims paid		(10,020,000)	(4,600,000)
		8,900,000	13,582,000
Amounts classified as current liabilities		(2,400,000)	(2,500,000)
Balance at June 30	$	6,500,000	11,082,000

Like many other businesses, The Med is exposed to various risks of loss related to theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illness; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Claims settled through June 30, 2011 have not exceeded this commercial coverage in any of the three preceding years.

The following is a summary of changes in The Med's self-insurance liability for employee health coverage (included in accrued expenses and other current liabilities in the accompanying balance sheets) for fiscal 2011 and 2010:

		2011	2010
Balance at July 1	$	1,770,000	1,762,000
Claims reported and claims incurred but not reported		10,206,014	10,623,050
Claims paid		(10,466,014)	(10,615,050)
Balance at June 30	$	1,510,000	1,770,000

(16) Commitments

The Med has outstanding service contracts for management services, equipment maintenance, and blood supply services. Estimated future payments under the contracts follow:

2012	$	4,179,592
2013		1,200,840
2014		1,031,706
	$	6,412,138

(Continued)

Expense under these contracts and other contracts was approximately $9.1 million and $9.9 million for the years ended June 30, 2011 and 2010, respectively.

(17) Leases

The Med had a capital lease obligation with a vendor for clinical equipment with an original cost of $1,850,000. The obligation was paid off during fiscal 2010.

A schedule of changes in The Med's capital lease obligation follows:

Description	Date of lease	Balance July 1, 2009	Additions	Payments	Balance June 30, 2010	Due within one year
Omnicell, Inc.	10/1/2008	$ 1,591,384	—	(1,591,384)	—	—

The Med has entered into noncancelable operating leases for certain buildings and equipment. Rental expense for all operating leases was approximately $4.8 million and $5.0 million for the years ended June 30, 2011 and 2010, respectively. The future minimum payments under noncancelable operating leases as of June 30, 2011 follow:

2012	$ 739,596
2013	677,029
2014	363,639
2015	66,189
	$ 1,846,453

(18) Current Economic Environment

The U.S. economy continues to suffer in many respects from ongoing characteristics associated with the downturn of the past several years. Management at The Med monitors economic conditions closely, both with respect to potential impacts on the healthcare provider industry and from a more general business perspective. While The Med was able to achieve certain objectives of importance in the current economic environment, management recognizes that economic conditions may continue to impact The Med in a number of ways, including (but not limited to) uncertainties associated with U.S. financial system reform and rising self-pay patient volumes and corresponding increases in uncompensated care.

Additionally, the general healthcare industry environment is increasingly uncertain, especially with respect to the impacts of the federal healthcare reform legislation which was passed in the spring of 2010. Potential impacts of ongoing healthcare industry transformation include, but are not limited to:

- Significant (and potentially unprecedented) capital investment in healthcare information technology (HCIT);

- Continuing volatility in the state and federal government reimbursement programs;
- Lack of clarity related to the health benefit exchange framework mandated by reform legislation, including important open questions regarding exchange reimbursement levels, changes in combined state/federal disproportionate share payments, and impact on the healthcare "demand curve" as the previously uninsured enter the insurance system;
- Effective management of multiple major regulatory mandates, including achievement of meaningful use of HCIT and the transition to ICD-10;
- Significant potential business model changes throughout the healthcare industry, including within the healthcare commercial payor industry.

The business of healthcare in the current economic, legislative and regulatory environment is volatile. Any of the above factors, along with changes in appropriations from the County and City of Memphis and others both currently in existence and which may or may not arise in the future, could have a material adverse impact on The Med's financial position and operating results.

Schedule 1

SHELBY COUNTY HEALTH CARE CORPORATION

Combining Schedule - Balance Sheet

June 30, 2011

Assets	Shelby County Health Care Corporation	The Regional Medical Center at Memphis Foundation	Combined
Current assets:			
Cash and cash equivalents	$ 46,779,628	37,834	46,817,462
Investments	69,854,051	—	69,854,051
Patient accounts receivable, net	29,399,243	—	29,399,243
Other receivables	8,381,809	5,175	8,386,984
Other current assets	3,786,723	—	3,786,723
Total current assets	158,201,454	43,009	158,244,463
Restricted investments	—	5,840,419	5,840,419
Capital assets, net	53,815,538	—	53,815,538
Total assets	$ 212,016,992	5,883,428	217,900,420
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	$ 6,852,445	—	6,852,445
Accrued expenses and other current liabilities	27,091,145	2,934	27,094,079
Total current liabilities	33,943,590	2,934	33,946,524
Accrued professional and general liability costs	6,500,000	—	6,500,000
Net postemployment benefit obligation	912,000	—	912,000
Total liabilities	41,355,590	2,934	41,358,524
Net assets:			
Invested in capital assets, net of related debt	53,815,538	—	53,815,538
Restricted for:			
Capital assets	—	3,301,588	3,301,588
Indigent care	—	687,422	687,422
Unrestricted	116,845,864	1,891,484	118,737,348
Total net assets	170,661,402	5,880,494	176,541,896
Commitments and contingencies			
Total liabilities and net assets	$ 212,016,992	5,883,428	217,900,420

See accompanying independent auditors' report.

Schedule 2

SHELBY COUNTY HEALTH CARE CORPORATION

Combining Schedule - Statement of Revenues, Expenses and Changes in Net Assets

Year ended June 30, 2011

	Shelby County Health Care Corporation	The Regional Medical Center at Memphis Foundation	Combined
Operating revenues:			
Net patient service revenue	$ 328,120,318	—	328,120,318
Other revenue	9,279,344	938,593	10,217,937
Total operating revenues	337,399,662	938,593	338,338,255
Operating expenses:			
Salaries and benefits	135,198,480	—	135,198,480
Supplies and services	62,032,558	—	62,032,558
Physician and professional fees	33,124,144	—	33,124,144
Purchased medical services	13,129,867	—	13,129,867
Plant operations	12,994,559	—	12,994,559
Insurance	7,899,082	—	7,899,082
Administrative and general	14,883,262	—	14,883,262
Community services	—	2,080,755	2,080,755
Depreciation and amortization	11,028,768	—	11,028,768
Total operating expenses	290,290,720	2,080,755	292,371,475
Operating gain (loss)	47,108,942	(1,142,162)	45,966,780
Nonoperating revenues (expenses):			
Interest expense	(104,172)	—	(104,172)
Investment income	539,679	635,520	1,175,199
Appropriations from Shelby County	26,816,000	—	26,816,000
Other	72,188	—	72,188
Total nonoperating revenues, net	27,323,695	635,520	27,959,215
Increase (decrease) in net assets	74,432,637	(506,642)	73,925,995
Net assets, beginning of year	96,228,765	6,387,136	102,615,901
Net assets, end of year	$ 170,661,402	5,880,494	176,541,896

See accompanying independent auditors' report.

Schedule 3

SHELBY COUNTY HEALTH CARE CORPORATION

(A Component Unit of Shelby County, Tennessee)

Roster of Management Officials and Board Members

June 30, 2011
Unaudited

Management Officials

Reginald W. Coopwood, M.D., President and CEO

Fred Boyd, SPHR, Senior Vice President, Human Resources

Pam Castleman, MSN, Senior Vice President/Chief Nursing Officer

Carl Getto, M.D., Executive Vice President/Chief Medical Officer

Tammie Ritchey, CFRE, Vice President of Development/Foundation Executive Director

Robert Sumter, Ph.D., Executive Vice President/COO

Tish Towns, FACHE, Senior Vice President, External Relations

Rick Wagers, Senior Executive Vice President/CFO

Monica N. Wharton, Senior Vice President/Chief Legal Counsel

Board Members

Phil Shannon

Keith Norman

Lee H. Askew

Pamela Brown

James Freeman, M.D.

Brenda Hardy, M.D.

Scott McCormick

Anthony D. McDuffie

Max Ostner

Heidi Shafer

Anthony Tate

John Vergos

See accompanying independent auditors' report.

Attachment C.OD.3

Total all industries
Memphis, TN-MS-AR MSA, Tennessee

Healthcare Practitioners and Technical Occupations

Occupation	Occ. code	Est. empl.	Mean Wage	Entry wage	Exp. wage	25th Per.	Median Wage	75th Per.
HEALTHCARE PRACTITIONERS AND TECHNICAL OCCUPATIONS	29-0000	40,570	65,467	32,742	81,830	38,969	53,642	71,384
			31.47	15.74	39.34	18.74	25.79	34.32
Chiropractors	29-1011	40	116,874	39,411	155,606	42,894	147,307	
			56.19	18.95	74.81	20.62	70.82	
Dentists, General	29-1021	230	147,531	95,206	173,694	109,792	145,897	
			70.93	45.77	83.51	52.78	70.14	
Dietitians and Nutritionists	29-1031	330	48,846	33,282	56,629	38,206	47,014	56,420
			23.48	16.00	27.23	18.37	22.60	27.12
Optometrists	29-1041	200	148,877	79,033	183,799	92,918	132,622	
			71.58	38.00	88.37	44.67	63.76	
Pharmacists	29-1051	1,790	111,511	86,004	124,264	101,976	115,158	128,797
			53.61	41.35	59.74	49.03	55.36	61.92
Anesthesiologists	29-1061	300						
Family and General Practitioners	29-1062	260	187,009	121,604	219,712	145,563		
			89.91	58.46	105.63	69.98		
Internists, General	29-1063	160	201,941			164,908		
			97.09			79.28		
Obstetricians and Gynecologists	29-1064	60	169,923	61,915	223,926	92,818		
			81.69	29.77	107.66	44.62		
Pediatricians, General	29-1065	270	151,047	79,557	186,792	105,939	156,364	
			72.62	38.25	89.80	50.93	75.18	
Psychiatrists	29-1066	50	155,026	64,179	200,449	92,139	144,880	
			74.53	30.86	96.37	44.30	69.65	
Surgeons	29-1067	360	174,877	53,815	235,408	90,795		
			84.08	25.87	113.18	43.65		
Physicians and Surgeons, All Other	29-1069	1,550	172,485	81,279	218,088	112,010		
			82.93	39.08	104.85	53.85		
Physician Assistants	29-1071	120	90,581	46,336	112,703	63,549	77,817	87,889
			43.55	22.28	54.18	30.55	37.41	42.25
Podiatrists	29-1081		185,463	123,291	216,548	134,111		
			89.16	59.27	104.11	64.48		
Registered Nurses	29-1111	15,060	63,207	46,645	71,487	50,951	59,706	71,460
			30.39	22.43	34.37	24.50	28.70	34.36
Audiologists	29-1121		51,779	47,613	53,862	46,950	50,319	53,764
			24.89	22.89	25.90	22.57	24.19	25.85
Occupational Therapists	29-1122	350	66,993	45,052	77,963	54,788	68,744	84,011
			32.21	21.66	37.48	26.34	33.05	40.39

Physical Therapists	29-1123	760	76,789	57,425	86,471	63,329	76,959	89,053
			36.92	27.61	41.57	30.45	37.00	42.81

Entry and Experienced wages represent the mean of the lower third and the mean of the upper two-thirds of the wage distribution respectively. The OES survey does not collect information for entry or experienced workers. Tennessee Depatment of Labor & Workforce Development, Employment Security Division, Labor Market Information. Publish date June 2010.

Total all industries
Memphis, TN-MS-AR MSA, Tennessee

Healthcare Support Occupations

Occupation	Occ. code	Est. empl.	Mean Wage	Entry wage	Exp. wage	25th Per.	Median Wage	75th Per.
HEALTHCARE SUPPORT OCCUPATIONS	31-0000	13,800	25,626	18,532	29,172	20,248	24,169	29,429
			12.32	8.91	14.03	9.73	11.62	14.15
Home Health Aides	31-1011	1,960	21,162	16,148	23,669	16,794	20,230	24,621
			10.17	7.76	11.38	8.07	9.73	11.84
Nursing Aides, Orderlies, and Attendants	31-1012	5,540	23,021	18,075	25,495	19,563	22,516	26,037
			11.07	8.69	12.26	9.41	10.82	12.52
Occupational Therapist Assistants	31-2011	100	46,302	30,102	54,402	30,482	34,439	64,868
			22.26	14.47	26.15	14.65	16.56	31.19
Occupational Therapist Aides	31-2012	50	21,783	18,955	23,197	19,211	21,083	24,114
			10.47	9.11	11.15	9.24	10.14	11.59
Physical Therapist Assistants	31-2021	280	52,803	39,506	59,452	44,215	52,743	63,681
			25.39	18.99	28.58	21.26	25.36	30.62
Physical Therapist Aides	31-2022	180	22,808	17,804	25,310	18,503	21,161	27,049
			10.97	8.56	12.17	8.90	10.17	13.00
Massage Therapists	31-9011	200	36,797	18,608	45,892	22,673	35,358	52,856
			17.69	8.95	22.06	10.90	17.00	25.41
Dental Assistants	31-9091	1,020	31,486	23,519	35,469	25,054	30,127	38,483
			15.14	11.31	17.05	12.05	14.48	18.50
Medical Assistants	31-9092	2,670	26,928	21,882	29,451	23,468	26,968	30,165
			12.95	10.52	14.16	11.28	12.97	14.50
Medical Equipment Preparers	31-9093		29,010	23,103	31,964	24,888	28,990	33,278
			13.95	11.11	15.37	11.97	13.94	16.00
Medical Transcriptionists	31-9094	240	31,945	27,002	34,416	27,966	31,771	36,461
			15.36	12.98	16.55	13.45	15.27	17.53
Pharmacy Aides	31-9095		22,445	18,623	24,355	18,532	20,289	25,551
			10.79	8.95	11.71	8.91	9.75	12.28
Veterinary Assistants and Laboratory Animal Caretakers	31-9096	270	20,700	15,412	23,343	15,761	18,927	24,866
			9.95	7.41	11.22	7.58	9.10	11.95
Healthcare Support Workers, All Other	31-9099	750	30,345	21,285	34,875	23,757	28,658	37,723
			14.59	10.23	16.77	11.42	13.78	18.14

Entry and Experienced wages represent the mean of the lower third and the mean of the upper two-thirds of the wage distribution respectively. The OES survey does not collect information for entry or experienced workers. Tennessee Depatment of Labor & Workforce Development, Employment Security Division, Labor Market Information. Publish date June 2010.

Board for Licensing Health Care Facilities

State of Tennessee

0000000110

No. of Beds 0631

DEPARTMENT OF HEALTH

This is to certify, that a license is hereby granted by the State Department of Health to

SHELBY COUNTY HEALTH CARE CORPORATION *to conduct and maintain a*

Hospital THE REGIONAL MEDICAL CENTER AT MEMPHIS

Located at 877 JEFFERSON AVENUE, MEMPHIS

County of SHELBY *, Tennessee.*

This license shall expire MAY 04 , 2013 , *and is subject to the provisions of Chapter 11, Tennessee Code Annotated. This license shall not be assignable or transferable, and shall be subject to revocation at any time by the State Department of Health, for failure to comply with the laws of the State of Tennessee or the rules and regulations of the State Department of Health issued thereunder.*

In Witness Whereof, we have hereunto set our hand and seal of the State this 1ST *day of* JULY , 2012 .

In the Distinct Category(ies) of:
GENERAL HOSPITAL
PEDIATRIC BASIC HOSPITAL
TRAUMA CENTER LEVEL 1

By Vincent J. Davis, MPH
DIRECTOR, DIVISION OF HEALTH CARE FACILITIES

By [signature]
COMMISSIONER

Attachment C.OD.7.c

The Regional Medical Center at Memphis

Memphis, TN

has been Accredited by

The Joint Commission

Which has surveyed this organization and found it to meet the requirements for the

Hospital Accreditation Program

March 19, 2011

Accreditation is customarily valid for up to 36 months.

Isabel V. Hoverman, MD, MACP
Chair, Board of Commissioners

Organization ID #: 7870
Print/Reprint Date: 06/15/11

Mark R. Chassin, MD, FACP, MPP, MPH
President

The Joint Commission is an independent, not-for-profit, national body that oversees the safety and quality of health care and other services provided in accredited organizations. Information about accredited organizations may be provided directly to The Joint Commission at 1-800-994-6610. Information regarding accreditation and the accreditation performance of individual organizations can be obtained through The Joint Commission's web site at www.jointcommission.org.





carf INTERNATIONAL

A Three-Year Accreditation is awarded to

The Rehabilitation Hospital of Memphis

for the following identified program:

Inpatient Rehabilitation Programs - Hospital (Adults)

This accreditation is valid through
November 2012

The accreditation seals in place below signify that the organization has met annual conformance requirements for quality standards that enhance the lives of persons served.

This accreditation certificate is granted by authority of:

Cathy Ellis P.T.

Cathy Ellis, PT
Chair
CARF International Board of Directors

Brian J. Boon Ph.D.

Brian J. Boon, Ph.D.
President/CEO
CARF International

carf carfccac carf CANADA

STATE OF TENNESSEE
DEPARTMENT OF HEALTH
WEST TENNESSEE HEALTH CARE FACILITIES
2975 c HIGHWAY 45 BYPASS
JACKSON, TENNESSEE 38305

Rec'd 10/16/09 FA

October 14, 2009

Mr. Claude Watts, Administrator
Regional Medical Center at Memphis
877 Jefferson Avenue
Memphis, TN 38103

RE: Licensure Surveys

Dear Mr. Watts:

On **September 24, 2009**, licensure surveys were completed at your facility. Your plans of correction for these surveys have been received and were found to be acceptable.

Thank you for the consideration shown during this survey.

Sincerely,

Celia Skelley

Celia Skelley, MSN, RN
Public Health Nurse Consultant 2

CES/TJW TJW

Regional Medical Center at Memphis

October 8, 2009

Celia Skelley, MSN, R.N.
State of Tennessee
Department of Health
West Tennessee Health Care Facilities
2975 Hwy 45, Bypass #C
Jackson, Tennessee 38305

Dear Ms. Skelley:

Attached you will find The Regional Medical Center at Memphis' response to the licensure survey conducted September 22 – 24, 2009. All deficiencies have been addressed with completion dates no later than 45 days from the dates of survey.

Please feel free to contact us if you should need any additional clarifications.

We anticipate your approval of our submission of this plan of correction.

Sincerely,

Claude Watts, CEO

Enclosure

CE/jmp

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	TNP531110	A. BUILDING _____ B. WING _____	09/24/2009

NAME OF PROVIDER OR SUPPLIER	877 JEFFERSON AVENUE MEMPHIS, TN 38103
REGIONAL MEDICAL CENTER AT MEMPHIS	

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
H 6751	1200-8-1-.06 (4)(b) Basic Hospital Functions (4) Nursing Services. (b) The hospital must have a well-organized service with a plan of administrative authority and delineation of responsibilities for patient care. The chief nursing officer must be a licensed registered nurse who is responsible for the operation of the service, including determining the types and numbers of nursing personnel and staff necessary to provide nursing care for all areas of the hospital. This Rule is not met as evidenced by: Based on policy review, record review, observation and interview, it was determined the hospital failed to ensure nursing services were provided in an organized manner and met the needs of 1 of 1 (Patient #9) patients reviewed with pressure sores. The patient suffered significant weight loss of 17 percent of his admission weight and developed a pressure sore which continues to deteriorate. The findings included: 1. The facility documented the following policy and procedures: "Prediction and Prevention of Pressure ulcers" Turn patient at least every 2 hours (unless contraindicated) or more frequently if necessary. Document each position change. 2. Medical record review for Patient #9 documented an admission on 7/19/09 after an assault with a head injury and a rib fracture and the following information:	H 675	<u>Nursing Services</u> Patient Care Services takes responsibility for patient care to meet the needs of patients with pressure sores. This will be accomplished by: I. PROCESS A) Review for identification of policy/procedures/standards/ and other resource materials available to staff responsible for patient care. This review is inclusive of: *Pressure Ulcer Treatment Care plan outlining turning requirements; *Pressure Ulcer Resource Guide. B) Review of functionality of current electronic medical record documentation system. C) Review of educational opportunities associated with staff involvement in current pressure ulcer management processes. II. ACTION A) Developed policy for Monitoring Patient Weight. B) Update hospital's intranet to include policies contained in Pressure Ulcer Resource Guide as individual titles to increase ease of location during search capability of staff for day to day practice reference.	11/7/09

LABORATORY DIRECTORS OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE — TITLE — DATE

Charles D. Watts — CEO — 10/8/09

Any deficiency statement ending with an asterisk (*) denotes a deficiency which the institution may be excused from correcting providing it is determined that other safeguards provide sufficient protection to the patients. (See instructions.) Except for nursing homes, the findings stated above are disclosable 90 days following the date of survey whether or not a plan of correction is provided. For nursing homes, the above findings and plans of correction are disclosable 14 days following the date these documents are made available to the facility. If deficiencies are cited, an approved plan of correction is requisite to continued program participation.

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	TNP531110	A. BUILDING _____ B. WING _____	09/24/2009

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
REGIONAL MEDICAL CENTER AT MEMPHIS	877 JEFFERSON AVENUE MEMPHIS, TENNESSEE 38103

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
H 675	Continued From page 1 On 8/9/09, the patient acquired a Stage 2 sacral pressure ulcer. On 8/17/09 the patient continued with a stage 2 pressure ulcer that was 2 centimeters (cm) in length and 1.5 cm in width with 0 depth. On 8/24/09 the pressure sore was 4.5 cm in length and 4 cm in width and 0.1 cm in depth. It was still classified as a stage 2. On 8/31/09 there were 2 pressure ulcers. The sacral to left buttocks was now 5.5 cm in length and 4 cm in width with a depth of .1 cm. The new wound was on the right buttock, a stage 2 that was 3 cm in length, 2 cm in width with a wound depth of 0. On 9/6/09, the sacral to left buttock wound was now a stage 3 with a length of 5 Cm, a width of 3.5 cm and a depth of .3 cm. The wound on the right buttock was a stage 2 with a length of 2 cm, a width of 1 cm and a depth of 0. On 9/15/09 the sacral wound included the right and left buttock and was 7 cm in length, 4 cm in width with a depth of .2 cm. There was a skin tear on the left hip which was 4.5 cm in length, 1.5 cm in width with a depth of 0. 3. Medical/nutritional therapy note dated 8/20109 documented the patient was 65 inches tall with a weight of 64 kilograms or 140.8 pounds. The albumin was low at I .7gm/dl (normal is 3.5 gm/dl) The Registered Dietitian (RD) documented estimated calorie needs using the facility protocol of 30-35 calories per kilogram to be 1920-2240 calories and 128-160 grams of protein. On 9/2/09 the RD recommended the enteral feeding be changed to bolus of 6 cans Glucerna 1.2 each day and increase the protein supplement to 40 grams BID (twice a day) for 2030 calories and 164 grams of protein. 4. On 9/16/09 the patient was transferred to the medicine/Surgery unit 5C. Physician orders dated 9/17/09 included I can Glucerna 1.2 q (every) 4 hourS (total of 6 cans /day).	H 675	Continued from page 1 C) Develop query process for Meditech electronic documentation modules that consolidates view of patient weights, turning and vital signs into a single, reviewable screen-shot available to all staff providing care (RN, LPN, Dietician, CNA, PCA, MD). The addition of Yes/No documentation box related to physician notification alert for any patient weight change + or – five pounds at time of query. D) Revision to flowsheet for Intake and Output documentation in Meditech to populate with gastric residual amount as reference where nutritional supplements are recorded. Patient Care Notes for exception documentation will assist in identification of reasons nutritional supplements may differ from MD orders (i.e. increased residual, pt off unit, pt in surgery, pt refusal, pt being made NPO). E) Completion and deployment of the two (2) physician order sets for pressure ulcer prevention and treatment for pressure ulcers which was pending approval at time of survey and has been subsequently passed by Medical Staff Executive Council. III. EDUCATION A) Conduct education for staff through Training and Development department regarding deployment/expectations of the two order-sets related to pressure ulcers up to and including the care of patient and monitoring weight and nutritional status. To be completed by Nov. 7, 2009. B) Electronic reminder via hospital's *"Practice Pause"* publication related to revisions to processes/policies for Pressure Ulcer Management in Patient Care by October 31, 2009.		

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	TNP531110	A. BUILDING _____ B. WING _____	09/24/2009

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
REGIONAL MEDICAL CENTER AT MEMPHIS	877 JEFFERSON AVENUE MEMPHIS, TENNESSEE 38103

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
	Continued from page 2 5. Review of the intake and output record for9/17/09 through 9/20/09, revealed the patient only received 5 cans of Glucerna 1.2 rather than the 6 cans as ordered. 6. Review of the activity record for 9/17/09, revealed the patient was on the right side at 2 PM, on the right side at 8:54 PM and Supine at 4 AM. That was the only documentation of a position change that day. On 9/18/09 the patient was up in a chair at 9:18 AM, supine at 8 PM and on the right side at midnight. That was the only documentation of a position change on that day. On 9/19/09 the patient was Supine at 9:12 AM and on the right side at 2:16 AM. There was only I documented change on the 20th. There was no documented position change on the 21st. One documented position change on the 22nd. The Nurse Manager for the unit confirmed these findings on 9/23/09 at 1:00 PM. 7. During an interview on 9/23/09, at 1:30 PM, the Nurse Manager for the unit confirmed the patient had not been weighed and would only be weighed on admission and if requested by the Nurse Manager. 6. Observations on 9/23/09, at 2:00 PM in the patients room revealed Resident #9 being weighed at the Surveyor's request. The patient weighed 117.4 pounds. The admission weight on 7/19/09, which was the only weight in the medical record, was 140.8 pounds revealing the resident had lost 23.4 pounds or a significant weight loss of 17 percent of his original body weight The RD confirmed, at this time, she was unaware of the weight loss. 9. Observations in the patient's room on 9/24/09, at 8:30 AM revealed the sacral wound had been debrided and was 7.5 cm in length with a width of 4.8 cm, a distal depth of .4 cm and a proximal depth of .5 cm. There was another stage 2 wound on the buttocks which was 2.5 cm by .8 cm.		Continued from page 2 C) Conduct Meditech documentation module training/refresher beginning October 13, 2009 on documentation of pressure ulcers to include: *Intake/Output changes *Query availability and use *Exception charting/documentation *Expectations/follow-up processes D) Deployment of flyer for education and protocol from Nutrition Services containing references/instructions related to pressure ulcer knowledge with evidence of review by staff recorded in Computer Based Learning Module (CBL). IV. MONITORS A) Nursing a. Conduct random chart audits for next 3 months in all patient care units to validate compliance with policy for patientt weight. b. Conduct random chart audits for next 3 months of patients with pressure ulcers to validate complaince with pressure ulcer management and care. c. Monitor completion of education efforts and Computer Based Learning module CBL post test for assigned staff. d. Results of audits will be reported to the Quality Council, Nursing Performance Improvement and Patient Quality Care Committee. B) DIETARY a. Conduct weekly audits of response timeliness for dietician consults and documentation of patient weights and status changes. b. Incidents of non-compliance will be investigated with appropriate resolution to improve patient care processes. c. Results of audits will be reported	

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	TNP531110	A. BUILDING B. WING _____	09/24/2009

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
REGIONAL MEDICAL CENTER AT MEMPHIS	877 JEFFERSON AVENUE MEMPHIS, TENNESSEE 38103

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
H 732	Continued from page 3 1200-.8-1-.D8 (9)(b) Basic Hospital Functions (9) Food and Dietetic Services. (b) The hospital must designate a person to serve as the food and dietetic services director with responsibility for the daily management of the dietary services. The food and dietetic services director shall be: 1. A dietitian; or 2. A graduate of a dietetic technician or dietetic assistant training program, correspondence or classroom, approved by the American Dietetic Association; or 3. A graduate of a state-approved course that provided ninety (90) or more hours of classroom instruction in food service supervision and has experience as a food service supervisor in a health care institution with consultation from a qualified dietitian. This Rule is not met as evidenced by: Based on review of employee files, and interview, it was determined the hospital failed to ensure the Dietetic Services Director with responsibility for the daily management of the dietary service met licensure requirements for this position. The findings included: Review of the personnel file for the Dietetic Services Director failed to show he met the state licensure requirements for a Dietetic Services Director. During an interview on 9/22/09, at 11:15 AM, the Director confirmed that he did not meet any of the licensure requirements for a Dietetic Services Director.	H 732	Continued from page 3 to the organization's Nursing Performance Improvement Committee, Quality Council and Patient Quality Care Committee. C) WOUND/OSTOMY CARE NURSE (WOCN) a. Compare requests for consultation to patient assessments for appropriate care management based of Pressure Ulcer Resource Guide. b. Results of comparisons and compliance to be reported to the organization's Quality Council, Nursing Performance Improvement Committee and Patient Quality Care Committee. **Food and Dietetic Services** The Regional Medical Center will designate a food and dietetic services director meeting state licensure requirements for a Dietetic Services Director. This will be accomplished by: 1. Replacement of current Dietetic Services Director responsible for daily management of the dietary service on 10/2/2009. 2. Revision to job description to include state licensure requirements for qualification/certifications necessary to work at hospital facility. 3. Establishment of on-site personnel record contalning documentation of requirements for state licensure. 4. Review of personnel record annually or with any personnel change of director position to ensure requirements for state licensure.	H732 11/5/09

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	TNP531110	A. BUILDING 02 - BUILDING_ B. WING _____	09/24/2009

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
REGIONAL MEDICAL CENTER AT MEMPHIS	877 JEFFERSON AVENUE MEMPHIS, TENNESSEE 38103

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
H 871	1200-8-1-08 (1) Building Standards (1) The hospital must be constructed, arranged, and maintained to ensure the safety of the patient. This Rule is not met as evidenced by: Based on observations, it was determined the facility failed to maintain the facility in a manner that would ensure the safety of the residents. The findings included: Observations during the facility tour on 9-23/9-24-09 beginning at 9:00 AM, the following deficiencies were found: ADAMS BLDG 3RD FLOOR REHAB 1. The ceiling tile at the entry to the gym had a hole in it. JEFFERSON BLDG 5TH FLOOR 1. The sprinkler escussion cover was missing outside room B528. 2. The exit doors were blocked open in unit 5C2. 3. The ceiling tile had a hole in it at room C516. 4. The corridor fire door closure at room 516 was inoperative.	H 871	The Regional Medical Center will maintain building standards to ensure the safety of the patient as evidenced by the following: ADAMS BUILDING: 3rd FLOOR REHAB The ceiling tile at the entry to the gym was replaced prior to 10/8/09 following submission of work order number 1941652. Staff were reminded to be alert for such problems and the process for requesting work orders related to building maintenance issues. Ceiling tile examinations will occur with Environment of Care (EOC) rounds and tracer activities to monitor for problems. JEFFERSON BUILDING: 5th FLOOR New sprinkler excutcheon was installed prior to 10/8/09 following submission of work order number 1947652. Specific purpose inspections of sprinkler escutcheons will occur by Facilities staff with an increased level of inspections during EOC rounds and tracer activities to monitor for problems. Door wedge allowing door on 5C2 to be blocked open was immediately removed.	10/30/2009

LABORATORY DIRECTORS OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE | TITLE | DATE

Cynthia D Watkins | CEO | 10/8/09

Any deficiency statement ending with an asterisk (*) denotes a deficiency which the institution may be excused from correcting providing it is determined that other safeguards provide sufficient protection to the patients. (See instructions.) Except for nursing homes, the findings stated above are disclosable 90 days following the date of survey whether or not a plan of correction is provided. For nursing homes, the above findings and plans of correction are disclosable 14 days following the date these documents are made available to the facility. If deficiencies are cited, an approved plan of correction is requisite to continued program participation.

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	44D0314859	A. BUILDING _____ B. WING _____	

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
H871	Continued from page 1 5. The elevator lobby door was blocked open. ROUT BLDG Ground floor 1. In Labor and Delivery the soiled utility room door did not close and latch. 2nd floor 1. The hold open device was loose in the wall on the main corridor. 4th floor 1. The physician sleep room 426 did not have a smoke detector in it. 2. The corridor fire door at the nurse station did not close and latch, Chandler Bldg Ground Floor 1. The main corridor door entering Dialysis, the closure was inoperative. 2. The rear exit door in Dialysis was inoperative.	H 871	Continued from page 1 Manager and staff were reminded of policies related to exit doors. Inspections will occur with Environment of Care (EOC) rounds and tracer activities to monitor for problems. The ceiling tile with a hole in C516 was replaced prior to 10/8/09 following submission of work order number 1947952. Staff on the unit were reminded to be alert for such problems and the process for requesting work orders related to building maintenance issues. Ceiling tile examinations will occur with Environment of Care (EOC) rounds and tracer activities to monitor for problems. The fire door closure at room 516 was adjusted to close properly by 10/8/09 following submission of work order number 1848152. Staff on the unit were reminded to be alert for such problems and the process for requesting work orders related to building maintenance issues. Focused inspections will occur with EOC rounds and tracer activities to monitor for problems. Door wedge allowing elevator lobby doors to be blocked open was immediately removed upon discovery. Facilities services and directors/managers were reminded of policies related to exit doors. Inspections will occur with Environment of Care (EOC) rounds and tracer activities to monitor for problems. ROUT BUILDING In Labor and Delivery, the soild utility room door was adjusted by 10/8/09 to square for proper closure following submission of work order number 2036059. Staff on the unit were reminded to be alert for such problems and the process for requesting work orders related to building maintenance issues. Focused inspections will occur with EOC rounds and tracer activities to monitor for problems.	

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			Continued from page 2 On the second floor, additional anchors for the hold open devices will be installed before 10/8/09, following submission of work order number 2036652. Staff were reminded on proper use of hold open devices and to be alert for such problems and the process for requesting work orders related to building maintenance issues. Focused inspections will occur with EOC rounds and tracer activities to monitor for problems. The use of room 426 as a physician sleep room will be discontinued before 10/30/09. All physician sleep room assignments must be approved through an established space utilization committee. Management was educated on process for obtaining space to designate as sleep rooms. Focused inspections related to physician sleep rooms will occur to monitor for problems. The corridor fire door at the nurses station will be adjusted to allow proper closure following submission of work order number 2036552 before 10/8/09. Staff on the unit were reminded to be alert for such problems and the process for requesting work orders related to building maintenance issues. Focused inspections will occur with EOC rounds and tracer activities to monitor for problems. CHANDLER BUIDLING: GROUND FLOOR The main corridor for entry into the Dialysis unit fire door closure was adjusted to prevent the astragal from binding the closing following submission of work order number 1958157 before 10/8/09. Staff in the unit were reminded to be alert for such problems and the process for requesting work orders related to building maintenance issues. Focused inspections will occur with EOC rounds and tracer activities to monitor for problems. The rear exit door of the Dialysis unit hinges were adjusted to allow door closure by 10/8/09 following submission of work order number 1957957. Staff on the unit were reminded to	

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			Continued from page 3 be alert for such problems and the process for requesting work orders related to building maintenance issues. Focused inspections will occur with EOC rounds and tracer activities to monitor for problems.	

SQUARE FOOTAGE AND COST PER SQUARE FOOTAGE CHART

A. Unit / Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage			Proposed Final Cost / SF		
					Renovated	New	Total	Renovated	New	Total
Inpatient Rehab	Adams Building 3rd Floor	17,056	N/A	Turner Tower 3rd Floors	22,400	0	22,400			
Outpatient OR	Chandler / Jefferson Ground, 1st and 4th Floors	Part of Inpatient OR Suites	N/A	Turner Tower 1st Floor	17,500	0	17,500			
Turner Tower Renovation	Turner Tower Basement Ground, 2nd and 4th Floors	42,680	N/A	Turner Tower, Basement, Ground, 2nd and 4th Floors	42,680	0	42,680			
Critical Care Waiting	Turner Tower 2nd Floor	4,880	N/A	Chandler 2nd Floor	3,000	0	3,000			
B. Unit/Depart. GSF Sub-Total		64,616			85,580	0	85,580			
C. Mechanical/ Electrical GSF		Included			Included	0	Included			
D. Circulation /Structure GSF		Included			Included	0	Included			
E. Total GSF		64,616			85,580	0	85,580	203	0	203

** Cost/SF based on Construction (Renovation) Cost of $17,368,137. See Project Costs Chart, Line A.5.*

COPY-

SUPPLEMENTAL-1

Regional Med. Ctr. of Memphis

CN1208-037

SUPPLEMENTAL

1. **Section A, Applicant Profile, Item 4**

The applicant facility's corporate charter is noted. Please submit documentation from the Tennessee Secretary of State that acknowledges and verifies the type of ownership as identified by the applicant.

Response: Please see attached *Certificate of Existence* from the TN Secretary of State's office.

2. Section A, Applicant Profile, Item 9 (Bed Complement Data)

Please explain why the current licensed bed column is not completed.

Response: We apologize. Please see replacement page 8.

3. Section B. Item I (Project Description),

To fully understand how the proposed bed relocations impact the hospital please complete the proposed chart:

Building Name	Bldg. Age	Floor #	Before Project Type of Unit, (e.g. Med/Surg, OB,)	Before Project Licensed Beds	Before Project Staffed Beds	After Project Type of Unit	After Project Licensed Beds	After Project Staffed Beds
Adams	67	4	Med/Surg	10	10		0	0
		3	Rehab	20	20		0	0
Turner	20	4				Med/Surg	24	24
		3				Rehab	24	24
		2				Rehab	6	6
		G	Burn Unit	14	14	Burn Unit	14	14
		B				Med/Surg	6	6
Jefferson	31	5	Med/Surg	111	84	Med/Surg	111	84
		4	Med/Surg	109	61	Med/Surg	109	61
		G	ICU	61	22	ICU	61	22
Rout	56/44	6	Med/Surg	18	0	Med/Surg	18	0
	56/43	5	Med/Surg	19	0	Med/Surg	19	0
	56/42	4	OB	30	20	OB	30	20
	56/41	3	OB	30	25	OB	30	25
	56/40	2	OB	80	69	OB	80	69
	56/39	1	Med/Surg	119	0	Med/Surg	89	0
	56/40	G	LDR	10	7	LDR	10	7
TOTAL BEDS				631	332		631	362
LICENSED BEDS				631			631	

Note: We are staffing more beds now than at the end of 2011.

Are there specific buildings that the applicant intends to eventually discontinue for inpatient care?

Response: Yes. As noted in the application, we plan to move all clinical services out of the Adams Building. The only clinical services currently in the Adams Building are the 20 bed Rehab unit and the 10 bed med/surg unit. Both of these units will be moved to Turner Tower.

As stated in the application:

"Adams currently houses two clinical functions: (1) a 20 bed inpatient rehabilitation unit; and (2) another 10 bed med/surg unit. These two functions need to be relocated out of the Adams Building, and will be with the approval of this project. Even though today's standards require rehabilitation beds to all be in private rooms, 12 of the 20 existing beds in Adams are in 6 semi-private rooms. More generally, much of the space in the inpatient rehabilitation unit is antiquated and not conducive to today's methods in providing physical/occupational therapy. Further, there is no additional space available in Adams to provide private rehabilitation beds. The lack of space, the antiquated physical plant, and the prohibitive cost of attempting to upgrade Adams means we need to relocate these services to another location on campus."

... *CON Application, Page 66*

Are there specific buildings that the applicant intends to consolidate into for inpatient care?

Response: We are presently consolidating some inpatient services into Turner Tower, as space allows. As stated in the application, at present there is no formally-adopted long range plan, but several areas of the campus continue to be studied by senior leadership, key department heads, and the Board of Directors. As various buildings on campus age, renovation becomes more costly. It would be logical to look at our newer patient buildings for inpatient consolidation should the need arise. However, again, there is no formally-adopted plan for that at present.

Does the applicant intend to construct new buildings in the future for inpatient services?

Response: As stated in the application, at present there is no formally-adopted long range plan, but several areas of the campus continue to be studied by senior leadership, key department heads, and the Board of Directors. Due to the age of many buildings on campus, the construction of new buildings in the future for inpatient services is certainly a probability.

As the applicant has noted of 631 licensed beds, the applicant currently staffs 325 beds and intends to increase staffed beds to 355 after completion of the proposed project. Licensed occupancy has been declining since at least 2008 when licensed occupancy was reported as 48.6% to 2011 when licensed occupancy was reported as 39.4%. Does the applicant intend to reduce the licensed bed complement of the hospital?

Response: No. As noted above, we are staffing more beds now than at the end of 2011. Therefore, we need the flexibility to provide patient beds as they are needed.

4. Section B. Item II.C. (Project Description)

Please provide more details regarding the Murer Study. How was the number of rehab beds needed at 85% and 100% occupancy calculated?

Response: The discharge-based analysis identified a need for 35 inpatient rehabilitation beds at 100% occupancy. To obtain the 85% occupancy rate, 35 is divided by 85% to obtain the figure of 41 beds. This figure, 41, represents an 85% occupancy rate. Please note, this need is based only on discharges from The Regional Medical Center at Memphis.

How was the rehab bed need by diagnosis determined and calculated?

Response: Murer Consultants applied its copyrighted Discharge-Based Bed Need Methodology to selected DRGs for the period analyzed. This methodology utilizes a series of predictor rates and lengths of stay to determine the number of patient days, and hence the number of beds, which could be filled at 100% occupancy, given an existing patient discharge base. The predictors are based on Murer Consultants' experience and expertise in the development and operation of post-acute venues of care.

The predictor rate is defined as that percentage of all patient discharges under a selected DRG that might benefit from an alternative post-acute venue of care. The predictor lengths of stay provide an estimate of the average length of stay in certain venues for all individuals within the selected acute care DRGs. While the predictor rate identifies patients likely to be admitted, successful patient management is the determinative factor in consistency of referrals and admissions.

Please see *Supplemental Rehab DRG Analysis*.

Even though 2011 JAR hospital data is provisional, please provide rehab bed utilization by facility in Shelby County for 2011.

Response: Please see *Supplemental Attachment B.III.A.2.*

5. Section B Item IV (Floor Plan)

Please provide the last three years of historical utilization for the 10 bed med/surg unit, being staffed as 6, that is transferring from the Adams Building to the Basement Floor of the Turner Tower. How will the space be used in the vacated space in the Adams Building?

Response: Data for 2009 is unavailable. However, for 2010, 2011, and 2012, respectively, this unit operated with the following statistics: Patient Days of 2,244, 1,852 and 1,588; ALOS of 8.4, 7.9 and 7.1; and Occupancy Rate of 61.5%, 50.7%, and 43.4%. These figures are replicated in the chart on Supplemental Question 10.

At present, there are no plans to utilize the vacated space in the Adams Building. As stated in the application:

> "The Adams Building is one of the oldest buildings on the campus, it is well beyond its expected life span. When Adams was built, there was no anticipation of the requirements of today's energy efficient mechanical and electrical systems or the code-mandated design requirements for hospital construction. Major additions, upgrades, renovations (other than cosmetic) that significantly affect the building structure, can trigger the requirement to bring the entire building up to current code requirements. Such requirements include: Life Safety Code and the Guidelines for Design and Construction of Health Care Facilities as well as other applicable codes, such as the Americans with Disabilities Act, a federal law. The cost to upgrade Adams to comply with hospital uses, such as increasing floor-to-floor heights by nearly 40%, are prohibitive as they exceed the cost of new facilities on a cost/square foot basis."
>
> ... *CON Application, Page 66*

A floor plan for the first floor of the Turner Building was not included. Please provide this floor plan.

Response: We apologize. Evidently, the first floor plan must have not been included in your copy. Please see *Supplemental Attachment B.IV.*

The second floor plan for the Turner building was not included. Please submit a 2nd floor plan that identifies the location of the six rehabilitation beds. It appears that the dining room and therapy gym for the rehabilitation unit is on the 3rd floor. Will the rehabilitation patients on the second floor be transported to the third floor for dining and therapy? Will there be a nurse's station on the second floor for six patients?

Response: We apologize. We submitted the 2nd floor for the Chandler Building by mistake. Please see *Supplemental Attachment B.IV.*

Will all 24 rehabilitation beds on the 3rd floor of the Turner Tower be private beds?

Response: Yes.

Please identify the nurse's station for this unit. How will the vacated rehabilitation unit space in the Adams Building be utilized?

Response: Please note on the footprint for the 3rd floor of Turner Tower the word "Nurse" two times each on the East and West sides of the central Therapy space. These spaces represent the nurse's station.

At present, there are no plans to utilize the vacated space in the Adams Building, as stated above.

Will all 24 medical/surgical beds on the 4th floor of the Turner Tower be private beds?

Response: Yes.

Is this unit relocating from another building on the hospital campus? If yes, where, how will the vacated space be utilized, and provide the last three years of utilization for this unit?

Response: No; there is no "unit" relocating to this space. As stated in the application:

> "Since other renovations are taking place in Turner Tower with the approval of this project, there were efficiencies in renovating and building out the 4th Floor of the building at the same time. The 4th Floor will house a 24 med/surg bed unit, but there will be no increase in the licensed bed count of 631. The Applicant will be able to utilize these 24 beds for any med/surg purpose as other buildings and existing and needed services on campus are evaluated. Current estimates are that approximately $800,000 dollars will be saved by building out all floors now, rather than waiting for a next phase of renovation to the campus."
>
> *... CON Application, Pages 11, 14, & 17, and referenced again at pages 58, 59, & 62.*

6. Section C. Need (Specific Criteria- Comprehensive Inpatient Rehabilitation Services) Item 1.

Please provide the detailed calculations that produced the resultant bed need from the Murer Study including the population-based methodology and the methodology based on the discharge diagnosis of the hospital's patients.

Response: Please see *Supplemental Rehab DRG Analysis*.

7. **Section C. Need (Specific Criteria- Comprehensive Inpatient Rehabilitation Services) Item 2.**

Please complete the following chart:

2012 Shelby Co. Population	949,665
2012 Rehab *Beds Needed	95
2016 Shelby Co. Population	976,726
2016 Rehab *Beds Needed	98
Existing Shelby Co. Rehab Beds**	209
Net Need/(Excess)	(111)

Calculated by using 10 beds/100,000 population formula
***** 2011 Provisional JARs***

Response: The above chart is completed.

8. Section C. Need (Specific Criteria- Comprehensive Inpatient Rehabilitation Services) Item 6

Even though 2011 JAR data is provisional please provide the same analysis using 2011 JAR data.

Response: Please see *Supplemental Attachment B.III.A.2*, replacement pages 29 and 30 for the application, and replacement page 5 for the rehab-specific attachment.

9. Section C. Need Item 5

Even though the 2011 JAR data is provisional please provide 2011 data as presented for Years 2008-2010 for inpatient rehabilitation utilization, surgery, and total inpatient utilization.

Response: Please see *Supplemental Attachments B.III.A.2, B.III.A.3., C.Need.5.*

For hospital occupancy, it appears that you have reported based on staffed beds and staffed occupancy. Please report on licensed bed and licensed occupancy for Years 2008-2011.

Response: *Supplemental Attachment C.Need.5* is now corrected to reflect licensed beds.

SUPPLEMENTAL

2012 AUG 23 PM 3:47

10. Section C. Item 6

Even though the 2011 JAR data is provisional please provide The MED's 2011 utilization data as presented for Years 2008-2010 for inpatient rehabilitation utilization, surgery, and total inpatient utilization.

Response:

Please complete the following charts:

Variable	2009	2010	2011	Year1	Year 2
Rehab Beds	20	20	20	30	30
Rehab Patient Days	7,238	7,191	6,990	8,213	9,208
Rehab ALOS (1)	19.99	18.92	21.38	20	20
Rehab % Occupancy	99.2	98.5	95.8	75%	85%
Unit to Basement (2)	10	10	10	6	6
Patient Days	n/a	2,244	1,852	n/a	n/a
ALOS	n/a	8.4	7.9	n/a	n/a
% Occupancy	n/a	61.5	50.7	n/a	n/a
Unit to 4th Floor (3)	n/a	n/a	n/a	n/a	n/a
Patient Days	n/a	n/a	n/a	n/a	n/a
ALOS	n/a	n/a	n/a	n/a	n/a
% Occupancy	n/a	n/a	n/a	n/a	n/a
Licensed Beds	631	631	631	631	631
Total Patient Days	112,774	101,189	96,438	89,329	92,902
Total ALOS (4)	5.8	5.7	5.9	5.9	5.9
Licensed % Occupancy	49.0	43.9	41.9	38.8	40.3

Response: The above chart is completed.

Note 1: We estimate Rehab ALOS in Years 1 and 2 to be 20 days.

Note 2: Data for 2009 for the 10 bed unit that is moving to the basement of Turner Tower (to become a 6 bed unit) is not available. Also, we have 2012 data that indicates patient days have dropped to 1,588, further documenting that we need fewer than the 10 beds previously allocated for this unit.

Note 3: The 24 med/surg beds that will be on the 4th floor do not represent any specific med/surg units that currently exist at the hospital. This floor is being renovated while other parts of the building are being renovated. We are able to save a substantial amount of money by renovating this floor at the same time, rather than waiting for some renovation project in the future. Therefore, we have no "unit" as contemplated by this chart.

Note 4: We do not anticipate any change in our total facility ALOS, and have estimated 5.9 days (which was the 2011 figure) for both Years 1 and 2.

Please identify the surgical specialties and the number of active surgeons, who currently operate in The MED's surgical suite and the number which the applicant plans to add in the future.

Specialty	2012	Year 1
General	16	16
Vascular	2	2
Trauma	8	8
Thoracic	4	4
ENT	4	4
Oral Surgery	9	9
Ophthalmology	11	11
Plastic	6	6
GI	0	0
OB/GYN	21	21
Urology	3	3
Neurosurgery	3	3
Orthopedic	32	32
Cardiac	1	1
Transplant	0	0
Etc.	0	0
Total	120	120

Response: The above chart is completed for 2012 and replicated for Year 1. We are not involved in a special surgeon recruitment program designed for this particular outpatient surgery department. Obviously, we continually recruit staff appropriate for the needs of our patients. However, we have no set goals for the number of active surgeons for Year 1, as contemplated by this question.

Please provide the historical and projected number of encounters by specialty

Specialty		2009	2010	2011	Year 1	Year 2	Increase from 2011 – Year 2
General	- Inpt						
	- Outpt			983	1,058	1,235	252
Vascular	- Inpt						
	- Outpt						
Thoracic	- Inpt						
	- Outpt						
ENT	- Inpt						
	- Outpt			336	414	478	142
Oral Surgery	- Inpt						
	- Outpt						
Ophth.	- Inpt						
	- Outpt						
Plastic	- Inpt						
	- Outpt			481	632	732	251
GI	- Inpt						
	- Outpt						
GYN	- Inpt						
	- Outpt			629	707	821	192
Urology	- Inpt						
	- Outpt			475	548	634	159
Neurosurgery	- Inpt						
	- Outpt						
Orthopedic	- Inpt						
	- Outpt			1,049	1,345	1,575	526
Cardiac	- Inpt						
	- Outpt						
Transplant	- Inpt						
	- Outpt						
Dental/Eye	- Inpt						
	- Outpt			157			
Total Inpatient Surgical Encounters		8,699	8,579	8,892			
Total Outpatient Surgical Encounters		4,490	4,519	4,110	4,704	5,475	1,522*
Total Surgical Encounters		13,189	13,098	13,002			

**Note: The Total Outpatient Surgical Encounters will be "off" by 157 due to the fact that the Dental/Eye encounters will not be performed in the dedicated outpatient surgery suites.*

Response: The above chart is completed, as it relates to this application. The outpatient encounters are based on the same ratio of patients:encounters experienced in 2111. Inpatient surgical encounters have not been estimated.

We apologize if the intent of the application was not made clear with the original filing. The portion of this CON regarding surgery is to add a dedicated outpatient surgical department with 3 ORs – again, dedicated to outpatient surgery. We are not requesting permission to add 3 ORs due to surgery volume. Our total average volume per room has been 942, 936, and 929 for years 2009 – 2011.

The purpose of this application is to create an area of the hospital where patients requiring outpatient surgery will not have to be integrated into the existing surgical area. Specifically, quoting page 14 of the application:

> "More importantly, this will result in a special area of the Applicant's campus where all outpatient surgery patients can more predictably present, receive services, and be discharged in a more efficient manner. Patients will be directed to a dedicated drop-off point where valet parking will be available, families will know the specific location of where their loved ones will be, and patients will be delivered to the curb following surgery. The resulting separate entrance, separate waiting area, separate registration, separate scheduling and separate location at The MED will improve patients' experience. Outpatient surgery at The MED will also become more efficient, reduce costs, and improve scheduling for both I/P and O/P surgery.
>
> "The assumption was made that at least 90% of all outpatient surgery procedures in the existing Chandler ORs would be performed in the new dedicated outpatient ORs. Such would result in full capacity for 2 dedicated outpatient ORs. In addition, the improved patient experience (mentioned above) will attract more patients to our outpatient surgery department. With these key assumptions in mind, it was decided that The MED's projected demand for dedicated outpatient surgery would require 3 ORs. In addition, sufficient space is available for a 4th dedicated OR, so that space will be shelled out during this buildout."

Once these 3 dedicated ORs are implemented, it may well be that some of our existing 14 ORs will not be staffed in the future. At present, we do not know how many of our existing ORs will be needed. What we do know is that after analyzing the number of outpatient procedures being performed in our hospital, we felt that we needed at least 3 ORs dedicated to outpatient surgery in this new department of the hospital.

Please discuss in detail the methodology used to forecast surgical volumes, particularly outpatient surgical volumes.

Response: The hospital utilized an outside consulting Company to conduct a Feasibility Analysis for the proposed additional outpatient Operating Rooms. This Company has been specializing in providing Ambulatory Surgery Center and Hospital Outpatient Surgery consulting services since its formation over 9 years ago in 2003. Their professional staff has collective experience of over 80 years in the Ambulatory Surgery Center and Hospital Outpatient Surgery consulting arena. Based on the number of physicians practicing at the Regional Medical Center and our Consultant's experience analyzing Outpatient OR volumes by surgical specialty, they believe the far majority of our surgeon's patients are having their Outpatient Surgery elsewhere. In addition, comments from our surgeons support this fact. Our projections for growth in outpatient surgery patient encounters assume that a new, more modern and more efficiently designed outpatient OR facility will result in a significant number of existing surgeons performing more of their current cases at our facility and that patients (particularly those who currently have the financial ability to go elsewhere) will choose to have their Outpatient Surgery at the Regional Medical Center as a destination of choice. Given this specialty-specific analysis and feedback from surgeons, our projections for increased outpatient surgical volumes in General Surgery, Otolaryngology, Plastic, OB/GYN, Urology and Orthopedics are conservatively estimated to grow by approximately 15-18% per year over the next 3 years.

The Applicant has made no projections regarding inpatient surgical volumes.

Please complete the following chart. Please identify the rooms which currently have a specific use and those which will have specific uses (i.e., open heart surgery, long case Neurosurgery, long case orthopedic/spine, cystoscopy, Di Vinci robotic surgery, trauma) in the proposed room assignments.

Response: The following chart is completed. As this CON application does not involve inpatient surgical suites, numeric projections have not been prepared for their eventual use. Once the dedicated outpatient suites (15-17 on this chart) are in use, it is anticipated that some of our existing operating rooms will not be staffed unless needed.

Current OR's	Current Specialty Usage * (Single /Mixed (Please identify specialties)	Type of Scheduling : Single Case/ Block / or Mixed Scheduling	Weekly Scheduled Hrs of Usage (example: Mon-Fri- 7am-4pm/ Sat-7-12pm)	Proposed Operating Room	Proposed Specialty Usage *(Single /Mixed (Please identify specialties)	Type of Scheduling : Single Case/ Block / or Mixed Scheduling	Weekly Scheduled Hrs of Usage (example: Mon-Fri- 7am-4pm/ Sat-7-12pm)
#1	ENT	Block	W 7-5, F 7-3	#1	ENT	Block	W 7-5, F 7-3
#2	OB/GYN	Block	M 7-3,Th 7-5, F 7-3	#2	OB/GYN	Block	M 7-3, Th 7-5, F 7-3
#3	Neurology	Block	M 7-3, W 7-3, Th 7-5	#3	Neuro	Block	M 7-3, W 703, Th 7-5
#4	Oral/Max	Block	T 7-3, Th 7-5	#4	OMS	Block	T 7-3, Th 7-5
#5	Ophthalmic	Block	T 7-5, F 7-3	#5	Ophth.	Block	T 7-5, F 7-3
#6	Orthopedic	Block	M-F, 7-5	#6	Ortho	Block	M-F, 7-5
#7	General	Block	M, Th 7-3, T 7-5	#7	General	Block	M, Th 7-3, T 7-5
#8	Thoracic	Block	W 12-3	#8	Thoracic	Block	W 12-3
#9	Urology	Block	T,F 7-3, W 7-11	#9	Urology	Block	T,F 7-3, W 7-11
#10	General	Block	M-F, 7-3 As Needed	#10	General	Block	M-F, 7-3 As Needed
#11	General	Block	M-F, 7-3 As Needed	#11	General	Block	M-F, 7-3 As Needed
#12	General	Block	M-F, 7-3 As Needed	#12	Possibly Unstaffed		
#13	General	Block	M-F, 7-3 As Needed	#13	Possibly Unstaffed		
#14	General	Block	M-F, 7-3 As Needed	#14	Possibly Unstaffed		
				#15	mixed	block	MF 7-4
				#16	mixed	block	MF 7-4
				#17	mixed	block	MF 7-4

* *Specialty usage – e.g., Cardiothoracic/Open Heart; General; ENT; GYN; Neurosurgery; Orthopedic, Cystoscopy, Robotic Surgery, etc.*

Surgical Suite	2009	2010	2011	Year 1	Year2
# OR's	14	14	14	17	17
Total OR Encounters	13,189	13,098	13,002	n/a	n/a
Encounters/OR	942	936	929	n/a	n/a
OR Capacity (Available Schedulable Time in Minutes)	1,000,080	1,000,080	1,000,080	n/a	n/a
Actual Time used in Operating and Room Turnover Time	519,509	536,574	578,501	n/a	n/a
% of Schedulable Time Used	51.9%	53.7%	57.8%	n/a	n/a

Response: The above chart is completed. As this CON application does not involve inpatient surgical suites, projections have not been prepared for their eventual use. Utilization of dedicated outpatient ORs are noted in the application on the Projected Data Chart (p.47), which projects 1,623, 1,889, and 2,164 outpatient surgical encounters for Years 1, 2 and 3, and on page 52, where 2011 outpatient surgical utilization is compared to Year 1 projected utilization (this chart is replicated on page 54).

11. Section C, Economic Feasibility, Item 1

Your response to this item is noted. Please provide a revised letter from the project manager that includes his estimate of the cost to construct the project to provide a physical environment, according to applicable federal, state and local construction codes, standards, specifications, and requirements and; attesting that the physical environment will conform to applicable federal standards, manufacturer's specifications and licensing agencies' requirements including the new 2010 AIA Guidelines for Design and Construction of Hospital and Health Care Facilities

Response: Please see attached *Supplemental C.EF.1.*

SUPPLEMENTAL

12. Section C, Economic Feasibility, Item 2

Is there an audited or unaudited balance sheet available for Shelby County Health Care Corporation more recent that June 30, 2011 that documents the availability of cash reserves for the proposed project? If yes, please provide this statement.

Response: No. Our June 30, 2011 financials are undergoing audit now. Once they are completed and approved by our Board, we will submit them to you. However, this process will take longer than the statutory time allowed for us to respond to your supplemental questions. We just received our June 30, 2012 Balance Sheet, which is attached as *Supplemental Attachment C.EF.2*.

SUPPLEMENTAL

13. Section C, Economic Feasibility, Item 4 (Projected Data Chart)

In the Projected Data Chart (Outpatient OR, only) there appears to be a calculation error in the Year 3 column.

Response: Please see replacement page 47,which corrects the typo.

In the Other Expenses Chart (Outpatient OR, only) there appears to be a calculation error in the Year 3 column.

Please make the necessary changes and submit revised charts.

Response: Please see replacement page 48, which corrects the typo.

14. **Section C, Economic Feasibility, Items 5 and 6A.**

The applicant states that according to the 2011 JAR The MED's average gross charge per patient day is $1,363; however the Historical Data Chart for the entire hospital for 2011 calculates an inpatient charge per patient day of approximately $9,332. The same holds true for the Projected Data Chart for the entire hospital. Please address this discrepancy. It appears that these charts should be presented "in Hundreds" instead of "in Thousands". It also appears that the applicant is calculating revenue per patient day amounts on all gross revenue rather than just inpatient revenue.

Response: Please forgive the decimal point error, and see Replacement pages 49 and 50.

In Year 1 it appears that the gross revenue per surgical encounter is $10,978 rather than $10,918.

Response: You are correct. Please see Replacement pages 49 and 50.

Please make the necessary changes.

Response: Please see above.

15. Section C, Economic Feasibility, Item 6.B.

Are these inpatient charges per inpatient stay? Does it include outpatient and other types of revenue?

Response: This chart is as explained on page 51 of the application, and are numbers for the entire facility for that year. The numbers are derived from dividing the Gross Patient Charges, Adjustments, and Net Patient Charges found on page 18 (Line 4.e) of the Joint Annual Report by the Total Inpatient Days on page 24 of the Joint Annual Report.

For example, Baptist Memorial Hospital (the first entry on Attachment C.EF.6.B), listed $1,399,739,849 in Total Gross Revenue (page 18, JAR). Divide that by 170,084 (Total Inpatient Days, page 24, JAR) and the Average Gross Charge is $8,230, as reported on the chart.

According to instructions and entries on page 18 of the JAR, the total dollar amounts on Line 4.e include both inpatient and outpatient revenue.

16. Section C , Contribution to Orderly Development Item 2

Of the 60% of potential rehab patients that are being referred to other facilities, what is the expected number of reduced referrals that will result from having 10 additional rehab beds available at The MED.

Response: The MED currently operates a twenty (20) bed rehab unit with utilization rates at 98.3%, 99.2%, 98.5%, and 95.0% during 2008 – 2011 respectively. The discharge based bed need methodology (of our own patients) shows a statistical need for 35 rehab beds, which is below what is currently being requested under this application. Based on the statistical need based on patients identified within The MED, and the proposed increase of only ten (10) additional beds, there would be no reduced referrals anticipated that would result from the additional inpatient rehabilitation beds at The MED.

Are all Hospital Surgery Departments and ASTCs in Shelby County operating at an average rate of 800 surgical encounters/cases per operating/procedure room? If not, how many facilities in the service area are meeting this standard and how many are not.

Response: No. As shown on *Supplemental Attachment B.III.A.3*, for 2011 only, 4 hospitals had an average rate of at least 800 surgical encounters per room; 9 did not.

As shown on *Attachment B.III.A.4*, for 2011 only, 25 ASTCs had an average rate of at least 800 surgical encounters per room; 4 did not.

Will the ten (10) bed medical/surgical unit from the Adams Building be staffed for six (6) medical/surgical beds when it is relocated to the Turner Tower?

Response: Yes. As stated in the application:

> "Finally, a ten (10) bed med/surg unit will be relocated from the Adams Building to the basement of the Turner Tower, resulting in a six (6) bed med/surg unit. This relocation will enable the Applicant to finally remove all clinical services from the Adams Building, which is 67 years old and not the most ideal for the provision of clinical services."
>
> *...CON application, page 62*

17. Section C, Contribution to Orderly Development (Project Completion Forecast Chart)

The Project Completion Forecast Chart indicates that the Agency's initial decision will be 8/2012. This application will not be heard by the Agency any sooner than 11/2012. Please make the necessary changes and submit a revised Project Completion Forecast Chart.

Response: Please see Replacement page 71.

18. Proof of Publication

Please submit a copy of the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit which is supplied by the newspaper as proof of the publication of the letter of intent.

Response: Full page with mast is attached.

6. Please provide the detailed calculations that produced the resultant bed need from the Murer Study including the population based methodology and the methodology based on the discharge diagnosis of the hospital's patients.

Response:

Population Based Methodology

To determine rehabilitation bed need based on population, Murer Consultants first had to define the target area(s). Depending on the specific targeted area, the population based need assessment projected a rehabilitation bed need of 243-334 rehab beds at 85% occupancy. The Regional Medical Center at Memphis is the only Level One Trauma Center within 150 miles of Memphis. It also houses the highly respected burn center. Both these facts are relevant when determining the patient population which the rehabilitation unit at The Regional Medical Center at Memphis will serve. The population analysis looked at a three state target area.

Murer Consultants utilizes the calculation of 14.5 per 100,000 people at 100% occupancy to arrive at the total number of inpatient rehabilitation beds needed. Based on 2010 population figures as reported on the US Census Bureau web site, the following models were utilized:

1. Conservative Model

Primary counties near Memphis and several target counties in Arkansas and Mississippi. The most conservative model looked at the three primary counties surrounding Memphis including Shelby, Tipton and Fayette Counties as well as five target counties in Arkansas and three target counties in Mississippi. Based on the population of these counties in the three state target areas, Murer Consultants identified a need for 206 rehab beds at 100% occupancy to 243 at 85% occupancy.

MODEL – MOST CONSERVATIVE

Population Rehabilitation Bed Need by Target Counties

Prepared By Murer Consultants Inc.

County	2010 Population Figures		100% Occupancy	85% Occupancy
TENNESSEE COUNTIES				
Shelby County**	927,644	1,027,138	**149 Beds**	**175 Beds**
Tipton County	61,081			
Fayette County	38,413			
ARKANSAS COUNTIES				
Crittenden	50,902	168,093	**24 Beds**	**29 Beds**
Mississippi	46,480			
Poinsett	24,583			
Cross	17,870			
St. Francis	28,258			
MISSISSIPPI COUNTIES				
Desoto	161,252	227,282	**33 Beds**	**39 Beds**
Tate	28,886			
Marshall	37,144			
TOTAL BED NEED BASED ON TARGET COUNTIES		**1,422,513**	**206 Beds**	**243 Beds**

*Population numbers are based on data as reported on US Census Bureau web site.
**Shelby County includes the city of Memphis

2. Less Conservative Model

All counties in Western Tennessee as well as the same target counties in Arkansas and Mississippi. Under this model, the population rehabilitation bed need increased to a need of 284 beds at 100% occupancy to 334 rehabilitation beds at 85% occupancy.

MODEL – LEAST CONSERVATIVE
Population Rehabilitation Bed Need by
WESTERN TENNESSEE and ARKANSAS/MISSISSIPPI TARGET COUNTIES

Prepared By Murer Consultants Inc.

County	2010 Population Figures		100% Occupancy	85% Occupancy
RANGE ONE				
Shelby County**	927,644	1,027,138	**149 Beds**	**175 Beds**
Tipton County	61,081			
Fayette County	38,413			
RANGE TWO				
Lauderdale County	27,815	73,855	**11 Beds**	**13 Beds**
Haywood County	18,787			
Hardeman County	27,253			
RANGE THREE				
Dyer County	38,335	194,421	**28 Beds**	**33 Beds**
Crockett County	14,586			
Madison County	98,294			
Chester County	17,131			
McNairy County	26,075			
RANGE FOUR				
Lake County	7,832	143,117	**21 Beds**	**24 Beds**
Obion County	31,807			
Gibson County	49,683			
Henderson County	27,769			
Hardin County	26,026			

SUPPLEMENTAL

DISCHARGE ANALYSIS

RANGE FIVE				
Weakley County	35,021	124,119	**18 Beds**	**21 Beds**
Henry County	32,330			
Carroll County	28,522			
Benton County	16,489			
Decatur County	11,757			
WESTERN TENNESSEE COUNTIES		1,562,650	227 Beds	266 Beds
Arkansas Counties		168,093	24 Beds	29 Beds
Mississippi Counties		227,282	33 Beds	39 Beds
TOTAL BED NEED ALL COUNTIES		1,958,025	284 BEDS	334 BEDS

*Population numbers are based on data as reported on US Census Bureau web site.
**Shelby County includes the city of Memphis.

Discharge Based Methodology

Murer Consultants applied its copyrighted Discharge-Based Bed Need Methodology to selected DRGs for the period analyzed. This methodology utilizes a series of predictor rates and lengths of stay to determine the number of patient days, and hence the number of beds, which could be filled at 100% occupancy, given an existing patient discharge base. The predictors are based on Murer Consultants' experience and expertise in the development and operation of post-acute venues of care.

The predictor rate is defined as that percentage of all patient discharges under a selected DRG that might benefit from an alternative post-acute venue of care. The predictor lengths of stay provide an estimate of the average length of stay in certain venues for all individuals within the selected acute care DRGs. While the predictor rate identifies patients likely to be admitted, successful patient management is the determinative factor in consistency of referrals and admissions.

COMPREHENSIVE INPATIENT REHABILITATION
BED NEED METHODOLOGY
Regional Medical Center at Memphis, Memphis, TN
Prepared by Murer Consultants, Inc.

Patient Category / DRGs	COLUMN A # of Discharges	COLUMN B Rate	COLUMN C LOS	COLUMN D Patient Days	Approx # of Beds
Stroke DRG's: 61,62,64,67,68,70,71,72	73	40%	22	643	2
Brain Injury DRG's:25,26,27,82,83,85,86,88,89,100	176	30%	28	1479	4
Neurological Disorders DRG's: 40,41,56,59,73,91,92,129	26	40%	18	188	1
Amputation DRG's: 239,240,255,256,474,475,476,616,617	27	30%	20	162	1
Polyarthritis, incl. Rheumatoid Arthritis DRG's: 548,549,553,554,555	18	25%	16	72	0
Orthopedic with CC DRG's 453,454,456,457,459,460,466,467,470,480,483,484, 490,507,508,510,511,533,534,545,841	204	30%	16	980	3
Major Multiple Trauma DRG's: 461,462,913,914,955,956,957,958,963,964	498	50%	22	5478	15
Spinal Cord Injury/Spine Disorders DRG's: 28,29,30,52,53,471,472,551	104	50%	24	1248	4
Pulmonary / Respiratory DRG's: 166,167,175,177,190,205	91	20%	20	364	1
Burn DRG's*: 927,928,929,933,934	132	45%	24	1426	4
			Total Patient Days =	**12040**	**35**

*DRG 935, Non-extensive burns was excluded.

COLUMN A x COLUMN B x COLUMN C = COLUMN D
TOTAL OF COLUMN D = TOTAL PATIENT DAYS
DIVIDED BY 365 DAYS = BEDS NEEDED
35

Rehab Bed Utilization
Shelby County , 2008-2011

2008

ID #	Hospitals	# Beds	Occ
79766	Baptist Rehabilitation - Germantown	68	54.2%
79756	HealthSouth Rehabilitation Hospital	80	0.0%
79806	HealthSouth Rehabilitation Hospital - Memphis North	40	82.1%
79396	Saint Francis Hospital	29	57.9%
79246	The Regional Medical Center at Memphis	20	98.3%
	Total	237	44.8%

2009

ID #	Hospitals	# Beds	Occ
79766	Baptist Rehabilitation - Germantown	68	52.7%
79756	HealthSouth Rehabilitation Hospital	80	68.7%
79806	HealthSouth Rehabilitation Hospital - Memphis North	40	84.3%
79396	Saint Francis Hospital	29	42.8%
79246	The Regional Medical Center at Memphis	20	99.2%
	Total	237	66.1%

2010

ID #	Hospitals	# Beds	Occ
79766	Baptist Rehabilitation - Germantown	68	41.5%
79756	HealthSouth Rehabilitation Hospital	80	68.1%
79806	HealthSouth Rehabilitation Hospital - Memphis North	40	89.8%
79396	Saint Francis Hospital	29	21.2%
79246	The Regional Medical Center at Memphis	20	98.5%
	Total	237	60.9%

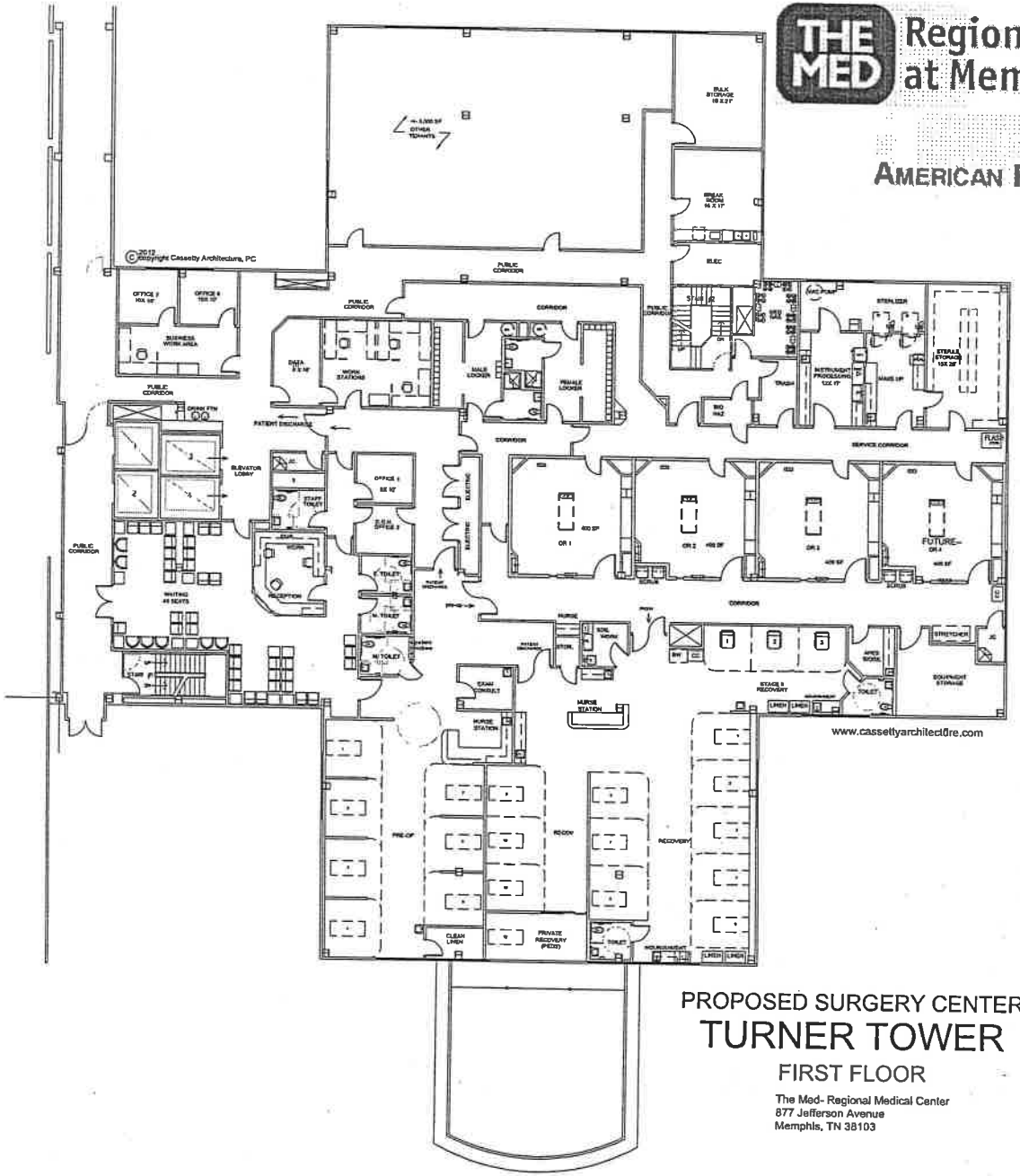
2011

ID #	Hospitals	# Beds	Occ
79766	Baptist Rehabilitation - Germantown	40	60.4%
79756	HealthSouth Rehabilitation Hospital	80	66.6%
79806	HealthSouth Rehabilitation Hospital - Memphis North	40	93.6%
79396	Saint Francis Hospital	29	21.7%
79246	The Regional Medical Center at Memphis	20	95.8%
	Total	209	69.1%

Source: 2008, 2009, 2010 & 2011 Provisional Hospital, JARs, Schedule F Beds, Schedule G Utilization

THE MED Regional Medical Center at Memphis

APM
AMERICAN PROGRAM MANAGEMENT



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PROPOSED SURGERY CENTER
TURNER TOWER
FIRST FLOOR

The Med- Regional Medical Center
877 Jefferson Avenue
Memphis, TN 38103

2012 AUG 23 PM 3:48

NEW TENANT BUILD-OUT FOR
THE MED SURGERY CENTER
1ST FLOOR TURNER TOWER
877 JEFFERSON AVE. MEMPHIS, TN 38103

CASSETTY ARCHITECTURE

CASSETTY
ARCHITECTURE
301 WEST MAIN STREET
HENDERSONVILLE, TN
(615) 822-5781
FAX 824-9289

ORIGINAL ISSUE DATE
08/22/12

DRAWING REVISION PROCESS:

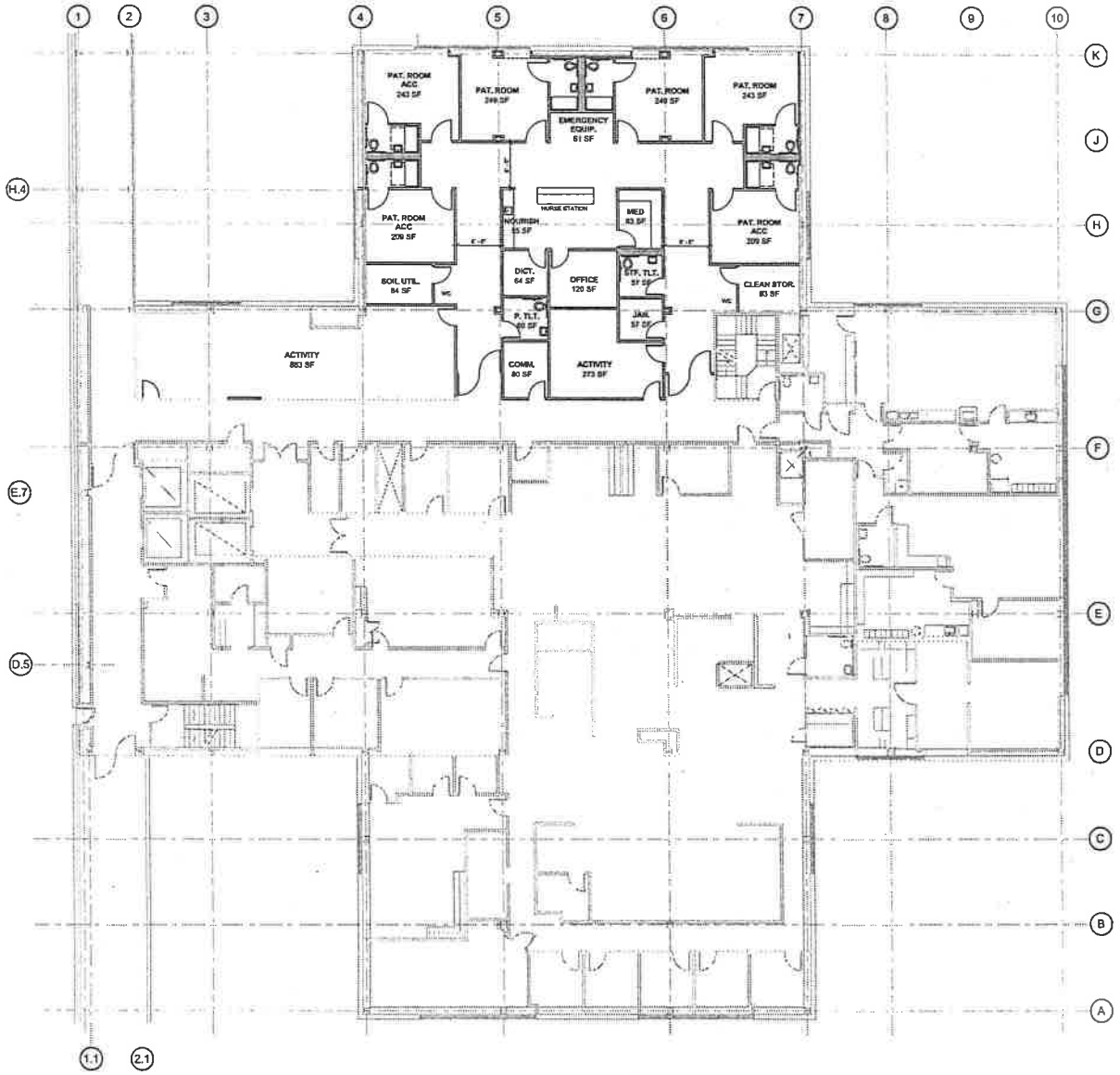
SUPPLEMENTAL

PROJECT NUMBER
3611

FILE NAME

4 of 9

Supplemental Attachment B.IV



1 2ND FLOOR PLAN - REHAB - TURNER TOWER
1/8" = 1'-0"

ANF ARCHITECTS

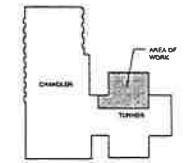
APM
AMERICAN PROGRAM MANAGEMENT

WALL TYPE LEGEND

EXISTING WALL

WALL TO BE DEMOLISHED

NEW WALL



KEY PLAN

SCHEMATIC DESIGN

REGIONAL MEDICAL CENTER AT MEMPHIS

877 JEFFERSON AVE.
MEMPHIS, TN

TURNER TOWER RENOVATION

2ND FLOOR PLAN - REHAB - TURNER TOWER

JD JPW 11068

07/23/12 A203

SUPPLEMENTAL 421

Hospital Surgery Utilization
Shelby County, 2008-2011

2008

ID #	Hospitals	Total-ORs	Ded O/P	I/P	O/P	Total	Proc/OR
79216	Baptist Memorial Hospital	26	0	8,463	6,545	15,008	577
79326	Baptist Memorial Hospital - Collierville	6	0	811	1,566	2,377	396
79506	Baptist Memorial Hospital for Women	5	0	1,292	1,879	3,171	634
79386	Delta Medical Center	8	0	2,344	4,397	6,741	843
79306	Lebonheur Children's Medical Center	10	0	3,414	6,980	10,394	1,039
79276	Methodist Healthcare - Memphis Hospitals	19	0	5,662	3,351	9,013	474
79236	Methodist Hospital - Germantown	12	0	4,204	6,044	10,248	854
79296	Methodist Hospital - North	11	0	2,136	1016	3152	287
79266	Methodist Hospital - South	6	0	1,087	997	2,084	347
79396	Saint Francis Hospital	22	0	5,329	3,961	9,290	422
79516	Saint Francis Hospital - Bartlett	4	0	2,772	2,216	4,988	1,247
79256	Saint Jude Children's Research Hospital	0	0	518	1,046	1,564	0
79246	The Regional Medical Center at Memphis	14	0	7,743	1,058	8,801	629
	Total	143	0	45,775	41,056	86,831	607

2009

ID #	Hospitals	Total-ORs	Ded O/P	I/P	O/P	Total	Proc/OR
79216	Baptist Memorial Hospital	26	0	8,687	6,206	14,893	573
79326	Baptist Memorial Hospital - Collierville	6	0	1,172	1,755	2,927	488
79506	Baptist Memorial Hospital for Women	5	0	1,127	1,880	3,007	601
79386	Delta Medical Center	8	0	2,589	4,284	6,873	859
79306	Lebonheur Children's Medical Center	10	0	4,149	6,836	10,985	1,099
79276	Methodist Healthcare - Memphis Hospitals	13	0	6,178	3,334	9,512	732
79236	Methodist Hospital - Germantown	12	0	4,260	5,194	9,454	788
79296	Methodist Hospital - North	10	0	2,087	860	2947	295
79266	Methodist Hospital - South	6	0	1,177	1,224	2,401	400
79396	Saint Francis Hospital	22	0	3,604	5,541	9,145	416
79516	Saint Francis Hospital - Bartlett	4	0	3,364	2,896	6,260	1,565
79256	Saint Jude Children's Research Hospital	4	2	442	1,123	1,565	391
79246	The Regional Medical Center at Memphis	14	0	8,699	4,490	13,189	942
	Total	140	2	47,535	45,623	93,158	665

2010

ID #	Hospitals	Total-ORs	Ded O/P	I/P	O/P	Total	Proc/OR
79216	Baptist Memorial Hospital	26	0	8,149	5,790	13,939	536
79326	Baptist Memorial Hospital - Collierville	6	0	1,168	1,731	2,899	483
79506	Baptist Memorial Hospital for Women	0	0	1,006	1,725	2,731	0
79386	Delta Medical Center	8	0	1,969	3,848	5,817	727
79306	Lebonheur Children's Medical Center	10	0	5,141	4,762	9,903	990
79276	Methodist Healthcare - Memphis Hospitals	13	0	6,328	3,476	9,804	754
79236	Methodist Hospital - Germantown	16	0	4,576	5,387	9,963	623
79296	Methodist Hospital - North	10	0	2,055	991	3046	305
79266	Methodist Hospital - South	6	0	1,089	1,245	2,334	389
79396	Saint Francis Hospital	22	0	3,428	5,837	9,265	421
79516	Saint Francis Hospital - Bartlett	4	0	3,569	3,747	7,316	1,829
79256	Saint Jude Children's Research Hospital	4	2	681	1,214	1,895	474
79246	The Regional Medical Center at Memphis	14	0	8,579	4,519	13,098	936
	Total	139	2	47,738	44,272	92,010	662

SUPPLEMENTAL

Hospital Surgery Utilization
Shelby County, 2008-2011

2011

ID #	Hospitals	Total-ORs	Ded O/P	I/P	O/P	Total	Proc/OR
79216	Baptist Memorial Hospital	26	0	7,644	5,511	13,155	506
79326	Baptist Memorial Hospital - Collierville	6	0	1,031	1,758	2,789	465
79506	Baptist Memorial Hospital for Women	5	0	875	1,866	2,741	548
79386	Delta Medical Center	8	0	2,308	4,661	6,969	871
79306	Lebonheur Children's Medical Center	15	0	6,598	3,591	10,189	679
79276	Methodist Healthcare - Memphis Hospitals	13	0	6,149	3,532	9,681	745
79236	Methodist Hospital - Germantown	16	0	4,661	5,481	10,142	634
79296	Methodist Hospital - North	10	0	1,867	871	2738	274
79266	Methodist Hospital - South	6	0	1,037	1,103	2,140	357
79396	Saint Francis Hospital	22	0	3,323	5,585	8,908	405
79516	Saint Francis Hospital - Bartlett	4	0	4,535	4,566	9,101	2,275
79256	Saint Jude Children's Research Hospital	6	4	2,981	3,487	6,468	1,078
79246	The Regional Medical Center at Memphis	14	0	8,892	4,110	13,002	929
	Total	151	4	51,901	46,122	98,023	649

Source: 2008, 2009, 2010 & 2011 Provisional Hospital, JARs, Schedule D - Services

Inpatient Utilization
Shelby County Hospitals
2008-2011

2008

Hospitals	I/P Days	# of Beds	Occ. Rate
Baptist Memorial Hospital	170,137	709	65.7%
Baptist Memorial Hospital - Collierville	10,663	81	36.1%
Baptist Memorial Hospital for Women	40,368	140	79.0%
Baptist Memorial Restorative Care Hospital	9,414	30	86.0%
Baptist Rehabilitation - Germantown	13,381	68	53.9%
Community Behavioral Health	7,511	50	41.2%
Delta Medical Center	34,707	243	39.1%
HealthSouth Rehabilitation Hospital	0	80	0.0%
HealthSouth Rehabilitation Hospital - Memphis North	11,991	40	82.1%
Lakeside Behavioral Health System	60,699	305	54.5%
Lebonheur Children's Medical Center	58,499	225	71.2%
Memphis Mental Health Institute	22,763	111	56.2%
Methodist Extended Care Hospital, Inc	10,446	36	79.5%
Methodist Healthcare - Memphis Hospitals	123,950	669	50.8%
Methodist Hospital - Germantown	74,335	209	97.4%
Methodist Hospital - North	53,925	260	56.8%
Methodist Hospital - South	34,373	200	47.1%
Saint Francis Hospital	122,788	519	64.8%
Saint Francis Hospital - Bartlett	30,075	100	82.4%
Saint Jude Children's Research Hospital	14,380	62	63.5%
Select Specialty Hospital - Memphis	12,303	39	86.4%
The Regional Medical Center at Memphis	121,879	631	52.9%
Total	1,038,587	4,807	59.2%

Source: 2008 JARs, Schedule F - Beds & G - Utilization ("0" = Not Reported on JAR)

2009

Hospitals	I/P Days	# of Beds	Occ. Rate
Baptist Memorial Hospital	169,911	706	65.9%
Baptist Memorial Hospital - Collierville	10,706	81	36.2%
Baptist Memorial Hospital for Women	37,498	140	73.4%
Baptist Memorial Restorative Care Hospital	9,331	30	85.2%
Baptist Rehabilitation - Germantown	12,963	68	52.2%
Community Behavioral Health	7,101	50	38.9%
Delta Medical Center	33,856	243	38.2%
HealthSouth Rehabilitation Hospital	0	80	0.0%
HealthSouth Rehabilitation Hospital - Memphis North	12,307	40	84.3%
Lakeside Behavioral Health System	59,900	305	53.8%
Lebonheur Children's Medical Center	60,865	225	74.1%
Memphis Mental Health Institute	23,702	111	58.5%
Methodist Extended Care Hospital, Inc	11,757	36	89.5%
Methodist Healthcare - Memphis Hospitals	123,000	669	50.4%
Methodist Hospital - Germantown	71,280	209	93.4%
Methodist Hospital - North	53,679	260	56.6%
Methodist Hospital - South	36,740	200	50.3%
Saint Francis Hospital	110,084	519	58.1%
Saint Francis Hospital - Bartlett	31,903	100	87.4%
Saint Jude Children's Research Hospital	14,812	78	52.0%
Select Specialty Hospital - Memphis	13,473	39	94.6%
The Regional Medical Center at Memphis	112,774	631	49.0%
Total	1,017,642	4,820	57.8%

Source: 2009 JARs, Schedule F - Beds & G - Utilization ("0" = Not Reported on JAR)

Inpatient Utilization
Shelby County Hospitals
2008-2011

SUPPLEMENTAL

2010

Hospitals	I/P Days	# of Beds	Occ. Rate
Baptist Memorial Hospital	170,084	706	66.0%
Baptist Memorial Hospital - Collierville	10,454	81	35.4%
Baptist Memorial Hospital for Women	34,595	140	67.7%
Baptist Memorial Restorative Care Hospital	8,015	30	73.2%
Baptist Rehabilitation - Germantown	10,290	68	41.5%
Community Behavioral Health	6,726	57	32.3%
Delta Medical Center	34,384	243	38.8%
HealthSouth Rehabilitation Hospital	19,751	80	67.6%
HealthSouth Rehabilitation Hospital - Memphis North	13,114	40	89.8%
Lakeside Behavioral Health System	60,240	305	54.1%
Lebonheur Children's Medical Center	55,767	255	59.9%
Memphis Mental Health Institute	21,889	110	54.5%
Methodist Extended Care Hospital, Inc	11,379	36	86.6%
Methodist Healthcare - Memphis Hospitals	125,892	617	55.9%
Methodist Hospital - Germantown	76,571	309	67.9%
Methodist Hospital - North	57,534	246	64.1%
Methodist Hospital - South	33,566	156	58.9%
Saint Francis Hospital	97,823	519	51.6%
Saint Francis Hospital - Bartlett	29,378	100	80.5%
Saint Jude Children's Research Hospital	15,721	78	55.2%
Select Specialty Hospital - Memphis	12,680	39	89.1%
The Regional Medical Center at Memphis	101,189	631	43.9%
Total	1,007,042	4,846	56.9%

Source: 2010 JARs, Schedule F - Beds & G - Utilization

2011

Hospitals	I/P Days	# of Beds	Occ. Rate
Baptist Memorial Hospital	175,949	706	68.3%
Baptist Memorial Hospital - Collierville	10,097	81	34.2%
Baptist Memorial Hospital for Women	35,874	140	70.2%
Baptist Memorial Restorative Care Hospital	8,004	30	73.1%
Baptist Rehabilitation - Germantown	8,819	50	48.3%
Community Behavioral Health	8,014	50	43.9%
Delta Medical Center	33,560	243	37.8%
HealthSouth Rehabilitation Hospital	19,433	80	66.6%
HealthSouth Rehabilitation Hospital - Memphis North	13,666	40	93.6%
Lakeside Behavioral Health System	63,142	305	56.7%
Lebonheur Children's Medical Center	56,884	255	61.1%
Memphis Mental Health Institute	20,615	111	50.9%
Methodist Extended Care Hospital, Inc	11,337	36	86.3%
Methodist Healthcare - Memphis Hospitals	124,109	617	55.1%
Methodist Hospital - Germantown	84,737	309	75.1%
Methodist Hospital - North	58,820	246	65.5%
Methodist Hospital - South	33,495	156	58.8%
Saint Francis Hospital	92,384	519	48.8%
Saint Francis Hospital - Bartlett	32,124	100	88.0%
Saint Jude Children's Research Hospital	15,035	78	52.8%
Select Specialty Hospital - Memphis	13,470	39	94.6%
The Regional Medical Center at Memphis	96,438	631	41.9%
Total	1,016,006	4,822	57.7%

Source: 2011 Provisional JARs, Schedule F - Beds & G - Utilization

American Program Management, LLC

August 21, 2012

J. Richard Wagers, Jr.
Senior Executive Vice President & CFO
Regional Medical Center at Memphis
877 Jefferson Avenue
Memphis, TN 38103

Dear Mr. Wagers,

As Project Manager for the renovation of Turner Tower, I have reviewed the construction costs for this project, and believe that $17,368,137 is a sufficient estimate to complete this major renovation and build-out project. Further, this estimate has been prepared taking into account that the project will be completed to provide a physical environment compliant with all applicable federal, state and local construction codes, standards, specifications, and requirements, and the physical environment will conform to applicable federal standards, manufacturer's specifications and licensing agencies' requirements including the new 2010 AIA Guidelines for Design and Construction of Health Care Facilities.

Sincerely,

Warren N. Goodwin, FAIA
President & CEO

Cc: Graham Baker

100 Winner's Circle
Suite 440
Brentwood, TN 37027
www.apmproject.com

SUPPLEMENTAL

The Regional Medical Center at Memphis
Balance Sheet
June 30, 2012
($ in Thousands)

	Assets	June 2012	May 2012	June 2011
	Current Assets:			
1	Cash and Cash Equivalents	$ 18,196	$ 20,734	$ 46,780
2	Less Board Designation of Funds for Self-Insurance	(8,400)	(8,900)	(8,900)
3	Less Board Designation of Funds for Capital Needs	(112,089)	(112,089)	(72,089)
4	Investments, market value	120,517	120,321	69,520
5	**Cash and Investments**	18,224	20,066	35,311
6	Patient Accounts Receivable	247,722	252,580	236,102
7	Less Allowances for Contractuals & Bad Debt	(197,876)	(205,271)	(206,742)
8	**Patient Accounts Receivable, net**	49,846	47,308	29,360
9	Accounts Receivable from UT/UTMG, net	1,508	996	1,452
10	Other Accounts Receivable	7,897	19,512	7,303
11	Appropriations Receivable from Shelby County	0	(622)	0
12	Inventories	3,321	3,380	3,323
13	Prepaid Expenses	986	948	464
14	**Total Current Assets**	81,781	91,587	77,212
15	Board Designation of Funds for Self-Insurance	8,400	8,900	8,900
16	Board Designation of Funds for Capital Needs	112,089	112,089	72,089
17	Property, Plant and Equipment, net	63,112	60,956	53,816
18	**Total Assets**	$ 265,382	$ 273,533	$ 212,017
	Liabilities & Fund Balance			
	Current Liabilities:			
19	Accounts Payable	$ 9,451	$ 10,298	$ 6,853
20	Accrued Expenses	10,013	8,653	6,851
21	Compensated Absences	6,933	7,336	6,522
22	Current Maturities of Long-term Debt	0	0	0
23	Estimated Third Party Payor Settlements	7,817	10,296	11,304
24	**Total Current Liabilities**	34,214	36,582	31,530
25	Deferred Revenue and Other Long-term Liabilities	955	1,104	925
26	Reserve for Self-Insured Losses	8,368	9,094	8,900
27	**Total Liabilities**	43,537	46,781	41,355
	Fund Balance:			
28	Revenue over (under) Expenses, Current Year	51,184	56,091	74,433
29	Unrestricted Fund Balance	170,661	170,661	96,229
30	**Total Liabilities & Fund Balance**	$ 265,382	$ 273,533	$ 212,017

the SHELBY County courthouse door where the foreclosure sales are customarily held at the SHELBY Courthouse, located in Memphis, Tennessee, proceed to sell at public outcry to the highest and best bidder for cash or certified funds ONLY, the following described property situated in Shelby County, Tennessee, to wit: LOT 55, GILLET PLANNED DEVELOPMENT (GLENN ABBEY SUBDIVISION), AS SHOWN ON PLAT OF RECORD IN PLAT BOOK 181, PAGE 22 IN THE REGISTER'S OFFICE OF SHELBY COUNTY, TENNESSEE, TO WHICH REFERENCE IS HEREBY MADE FOR A MORE PARTICULAR DESCRIPTION OF SAID PROPERTY. Parcel ID: D02 13K A00055 PROPERTY ADDRESS: The street address of the property is believed to be 7455 MACON ROAD, CORDOVA, TN 38018. In the event of any discrepancy between this street address and the legal description of the property, the legal description shall control. CURRENT OWNER(S): OKE ANANABA OTHER INTERESTED PARTIES: GLENN ABBEY/GILLETPD AMENDED HOMEOWNER'S ASSOCIATION, Internal Revenue Service (TN) The sale of the above-described property shall be subject to all matters shown on any recorded plat; any unpaid taxes; any restrictive covenants, easements or set-back lines that may be applicable; any prior liens or encumbrances as well as any priority created by a fixture filing; and to any matter that an accurate survey of the premises might disclose. This property is being sold with the express reservation that it is subject to confirmation by the lender or Substitute Trustee. This sale may be rescinded at any time. The right is reserved to adjourn the day of the sale to another day, time, and place certain without further publication, upon announcement at the time and place for the sale set forth above. All right and 07087799; and W the beneficial said Deed of Tr transferred and to BANK OF N.A., SUCCES MERGER TO B LOANS SERVI FKA COUN HOME LOANS ING, LP who owner of said WHEREAS, No Right to Forec quired pursuant 35-5-117, was gi cordance with law; and WHE undersigned, Ru TN, PLLC, ha appointed as Trustee by inst be filed for rec Register's Offic County, Tennes THEREFORE, hereby given th tire indebtedne declared due an and that the un Rubin Lublin TN, Substitute Trus duly appointed virtue of the p and authority v imposed upon s tute Trustee wi tember 6, 2012 a at the Front Steps of the She Courthouse , Memphis, Tenn ceed to sell at p cry to the highe bidder for cash funds ONLY, th described prop ated in Shelby Tennessee, to w ROLLING HILL SUBDIVISION A ON PLAT OF R PLAT BOOK 34, IN THE RE OFFICE OF COUNTY TE TO WHICH PLA ENCE IS HERE FOR A MORE LAR DESCRIP SAID PROPE ING THE SAM ERTY CO HEREIN BY W DEED RECOR MULATANE HEREWITH IN ISTERS OFF SHELBY COUN NESSEE. Parce 52W-A-00002 PR ADDRESS: The dress of the pro lieved to be 5041 CREEK CV, TON, TN 3800

in the Fowlkes Second Addition to Oversburg, a plat of which is recorded in

mailed to the borrower(s) pursuant to Tennessee Code Annotated 35-5-117.

NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. §68-11-1601, et seq., and the Rules of the Health Services and Development Agency, that Shelby County Health Care Corporation, d/b/a, Regional Medical Center at Memphis, 877 Jefferson Avenue, Memphis (Shelby County), Tennessee 38103 ("Applicant"), owned and managed by itself, is applying for a Certificate of Need for (a) the conversion of the license for ten (10) med/surg beds to rehab beds, and (b) the relocation of its existing twenty (20) bed rehab unit, after which a thirty (30) bed rehab unit will be operated in Turner Tower; (c) the addition of three (3) operating rooms to be dedicated to outpatient surgery, which rooms will be operated in Turner Tower as a department of the Applicant; (d) the general renovation of Turner Tower, including the buildout of unused space for a twenty-four (24) bed unit which will be utilized as med/surg hospital beds; and (e) the relocation of an existing ten (10) bed med/surg unit to Turner Tower, which will result in six (6) staffed med/surg beds. Other than mentioned above, there are no new licensed beds and no major medical equipment involved with this project. The number of total licensed beds will not change. No other health services will be initiated or discontinued. It is proposed that Medicare, TennCare (Medicaid), commercially insured, and private-pay patients will continue to be served by the Applicant, which will continue to be licensed by the Tennessee Department of Health. The estimated project cost is anticipated to be approximately $28,400,000, including filing fee.

The anticipated date of filing the application is: August 15, 2012.

The contact person for this project is E. Graham Baker, Jr., Attorney who may be reached at 2021 Richard Jones Road, Suite 350, Nashville, TN 37215, 615/370-3380.

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency
Andrew Jackson Building
500 Deaderick Street, Suite 050
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

NOTICE OF SUBSET

COM

SUBSTITUTE TRUSTEE'S SALE

Sale at public auction will be on September 4, 2012 at 12:00PM local time, at the east door, Weakley County Courthouse, Dresden, Tennessee, conducted by Shapiro & Kirsch, LLP Substitute Trustee, pursuant to Deed of Trust executed by Calvin P. Gordon, married and Sherry K. Gordon, married, to Craig E. Newby, Trustee, on December 19, 2007 at Book T626, Page 416; all of record in the Weakley County Register's Office.
Holder: JPMorgan Chase Bank, National Association
The following real estate located in Weakley County, Tennessee, will be sold to the highest call bidder subject to all unpaid taxes, prior liens and encumbrances of record:
Described property located in Weakley County, Tennessee, to wit:
Beginning at a set iron pin in the North right of way margin of the Sharon and Sidonia Road, said margin is measured 26 feet North of the pavement centerline of a 20 foot wide asphalt pavement of said road, said pin is also located North 87 degrees 56 minutes 48 seconds West, 279.43 feet from the West fence line of a tract belonging to Cummins, said Fence also being the East line of a lot belonging to Taylor, said point of beginning is the Southwest corner of a lot belonging to Lee and the Southeast corner of the lot being described herein; thence North 87 degrees 32 minutes 35 seconds West, a distance of 110.00 feet, along the North right of way of said Sharon and Sidonia Road, to an old iron pipe found at the Southeast corner of a lot belonging to Wiley, said old pipe lies 26 feet North of the center of said road pavement and also lies 7.21 feet Northeast of a telephone pedestal; thence North 01 degrees 27 minutes 48 seconds West, a distance of 158.34 feet, along the East line of Wiley, to an old iron pipe found at Wiley's Northeast corner, said old

Bank National Trust Company, as Trustee for Long Beach Mortgage Loan Trust 2006-5
The following real estate located in Hardeman County, Tennessee, will be sold to the highest call bidder subject to all unpaid taxes, prior liens and encumbrances of record:
Described property located in Hardeman County, Tennessee, to wit:
True point of beginning being an iron (F) in the East margin of Breeden Road, located South 46 degrees 07 minutes East 18.5 feet from the centerline of said road (original point of beginning was 12.5 feet from the centerline, but due to road improvements over the years, this distance has changed to 18.5 feet as shown), true point of beginning also being a Southwest corner of the Jane McAnulty property; thence with a South boundary line and a West boundary line of same the following calls: (1) South 46 degrees 07 minutes East 211.2 feet to an iron, (2) South 45 degrees 00 minutes West 191.3 feet to an iron, this also being the Southeast corner of the James Worley property; thence North 43 degrees 22 minutes West 211.3 feet along an old fence (this being an agreed line between the adjoining property owners) to a corner post set in the East margin of Breeden Road; thence with margin of same North 45 degrees East 180.9 feet to the point of beginning.
Street Address: 115 Meadow Oaks Lane, Bolivar, Tennessee 38008
Parcel Number: 79-47.01
Current Owner(s) of Property: Richard Pierce and Amy Pierce
Other interested parties: FFPM Holdings I, LLC c/o Mendelson Law Firm
The street address of the above described property is believed to be 115 Meadow Oaks Lane, Bolivar, Tennessee 38008, but such address is not part of the legal description of the property sold herein and in the event of any discrepancy, the legal description referenced herein shall control.
SALE IS SUBJECT TO TENANT(S) RIGHTS IN

SUPPLEMENTAL

AFFIDAVIT

STATE OF TENNESSEE
COUNTY OF DAVIDSON

NAME OF FACILITY: Regional Medical Center at Memphis (CN1208-037)

I, E. Graham Baker, Jr., after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete to the best of my knowledge, information and belief.

E. Graham Baker, Jr. Attorney at Law
Signature/Title

Sworn to and subscribed before me, a Notary Public, this 23rd day of August, 2012; witness my hand at office in the County of Davidson, State of Tennessee.

NADEAN E. POTEET STATE OF TENNESSEE NOTARY PUBLIC DAVIDSON COUNTY

Nadean E. Poteet
NOTARY PUBLIC
My Commission expires May 6, 2013

COPY-

SUPPLEMENTAL-2

Regional Medical Ctr. of Memphis

CN1208-037

1. Section A, Applicant Profile, Item 9 (Bed Complement Data)

Your response to this item is noted; however the last column should reflect licensed beds and total to 631. Please submit a corrected Bed Complement Data Chart.

Response: Please see Replacement Page 8 for the application.

SUPPLEMENTAL

2. Section C. Need (Specific Criteria- Comprehensive Inpatient Rehabilitation Services) Item 2.

Your response to this item is noted; however the 111 in the last row should be in parentheses to reflect an excess. Please submit a corrected chart:

Response: Please see Replacement Page 9 of our first Supplemental Response for this attachment.

3. Section C, Economic Feasibility, Item 6.B.

The JAR instructions are noted; however patient days is an inpatient measure so that when using patient days as the measure for gross charges per day and the resultant contractual allowances per day and net patient per day should be based on inpatient revenue divided by patient days. Please make the necessary corrections to your response and pages 49-50 including the JAR calculation.

Response: Please see *Supplemental Attachment C.EF.6.B*, and Replacement Pages 49-50. Although not requested, please see Replacement Page 51, also.

4. Section C , Contribution to Orderly Development Item 2

It is unclear how there would be no reduced referrals to other existing rehabilitation units after completion of the proposed project. The applicant's 20 bed rehabilitation unit is currently operating at 95% occupancy and above which is essentially a full unit, which would suggest that the applicant is currently referring potential rehabilitation patients to other facilities. Compared to 2011 the applicant expects utilization of an additional 1,223 patient days in Year 1 of the project and 2,218 patient days in Year 2 of the project. Please explain how this scenario will not have a negative impact on other existing rehabilitation providers.

Response: The MED currently operates a 20 bed rehabilitation unit, and seeks to increase the size of this unit to a total of 30 beds. We continue to believe the additional 10 beds requested by The MED will not have a negative impact on other existing rehabilitation providers. The discharge based analysis indicates The MED could support 35 beds at 100% occupancy (41 at 85%) based on its own patient population. Those patients with rehabilitation potential who are not currently treated in The MED's 20 bed rehab unit may remain in the med/surg bed for an extended length of stay to receive rehabilitative services, may choose another facility, or may discharge home. We do not know if the relatively few patients who are "referred" to another facility are admitted to another facility for treatment.

Also, we do not know why the competitor facilities are operating at a lower occupancy rate than The MED. It may be due to compliance with the 60% rule as dictated by Medicare, or could be an operational decision by management of the rehab facility. Regardless of the reason, The MED is requesting to increase its rehab bed capacity to serve its own patient's needs; not to negatively impact other area facilities.

The MED serves a unique patient population, including those with little or no healthcare coverage. With both a trauma center and burn unit, The MED maintains a patient population which sets it aside from other area rehab facilities, allowing us to provide intense inpatient rehabilitation services to a unique patient population not seen in area facilities. With the approval of these ten additional rehab beds, The MED's ability to meet the needs of its own patient population will be enhanced with no significant impact to the local market.

5. Section C, Contribution to Orderly Development (Project Completion Forecast Chart)

Your response to this item is noted but replacement page 71 is not the Project Completion Forecast page. Please submit a revised Project Completion Forecast Chart that indicates the Agency's initial decision will be 11/2012.

Response: Please disregard the incorrect Replacement Page 71 already submitted, and see attached Replacement Page 71 for the application.

Supplemental Attachment C.EF.6.B.

Average InPatient Charges - 2010
Shelby County Hospitals

ID #	Hospitals	I/P Gross	I/P Deduct.	I/P Net
79216	Baptist Memorial Hospital	$5,902	$4,013	$1,889
79236	Methodist Hospital - Germantown	$6,354	$4,585	$1,770
79246	The Regional Medical Center at Memphis	$8,240	$6,874	$1,366
79256	Saint Jude Children's Research Hospital	$7,123	$4,981	$2,143
79266	Methodist Hospital - South	$5,767	$4,188	$1,579
79276	Methodist Healthcare - Memphis Hospitals	$7,182	$5,268	$1,914
79296	Methodist Hospital - North	$6,355	$4,918	$1,438
79306	Lebonheur Children's Medical Center	$7,139	$4,690	$2,449
79326	Baptist Memorial Hospital - Collierville	$6,676	$4,372	$2,305
79386	Delta Medical Center	$2,670	$1,965	$705
79396	Saint Francis Hospital	$8,384	$6,746	$1,638
79446	Memphis Mental Health Institute	$1,155	$997	$158
79456	Lakeside Behavioral Health System	$1,416	$745	$671
79476	Community Behavioral Health	$1,326	$670	$656
79506	Baptist Memorial Hospital for Women	$2,848	$1,538	$1,310
79516	Saint Francis Hospital - Bartlett	$8,267	$6,934	$1,333
79756	HealthSouth Rehabilitation Hospital	$2,172	$1,003	$1,169
79766	Baptist Rehabilitation - Germantown	$2,632	$1,564	$1,068
79776	Baptist Memorial Restorative Care Hospital	$4,758	$3,491	$1,267
79786	Select Specialty Hospital - Memphis	$3,961	$2,328	$1,633
79796	Methodist Extended Care Hospital, Inc	$2,851	$1,516	$1,335
79806	HealthSouth Rehabilitation Hospital - Memphis North	$1,807	$608	$1,199

Source: 2010 JARs, Schedule E-Financial Data & Schedule G-Utilization

SUPPLEMENTAL

AFFIDAVIT

2012 AUG 27 PM 3:40

STATE OF TENNESSEE
COUNTY OF DAVIDSON

NAME OF FACILITY: Regional Medical Center at Memphis (CN1208-037)

I, E. Graham Baker, Jr., after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete to the best of my knowledge, information and belief.

E. Graham Baker, Jr. Attorney at Law
Signature/Title

Sworn to and subscribed before me, a Notary Public, this 27th day of August, 2012; witness my hand at office in the County of Davidson, State of Tennessee.

NADEAN E. POTEET STATE OF TENNESSEE NOTARY PUBLIC DAVIDSON COUNTY

Nadean E. Poteet
NOTARY PUBLIC
My Commission expires May 6, 2013

2012 AUG 10 PM 2 39

LETTER OF INTENT
TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the *Commercial Appeal* which is a newspaper of general
(Name of Newspaper)

circulation in Shelby and surrounding Counties, Tennessee on or before August 10, 2012 for one day.
(County) (Month / day) (Year)

==========

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. §68-11-1601, et seq., and the Rules of the Health Services and Development Agency, that Shelby County Health Care Corporation, d/b/a, Regional Medical Center at Memphis, 877 Jefferson Avenue, Memphis (Shelby County), Tennessee 38103 ("Applicant"), owned and managed by itself, is applying for a Certificate of Need for (a) the conversion of the license for ten (10) med/surg beds to rehab beds, and (b) the relocation of its existing twenty (20) bed rehab unit, after which a thirty (30) bed rehab unit will be operated in Turner Tower; (c) the addition of three (3) operating rooms to be dedicated to outpatient surgery, which rooms will be operated in Turner Tower as a department of the Applicant; (d) the general renovation of Turner Tower, including the buildout of unused space for a twenty-four (24) bed unit which will be utilized as med/surg hospital beds; and (e) the relocation of an existing ten (10) bed med/surg unit to Turner Tower, which will result in six (6) staffed med/surg beds. Other than mentioned above, there are no new licensed beds and no major medical equipment involved with this project. The number of total licensed beds will not change. No other health services will be initiated or discontinued. It is proposed that Medicare, TennCare (Medicaid), commercially insured, and private-pay patients will continue to be served by the Applicant, which will continue to be licensed by the Tennessee Department of Health. The estimated project cost is anticipated to be approximately $28,400,000, including filing fee.

The anticipated date of filing the application is: August 15, 2012.

The contact person for this project is E. Graham Baker, Jr., (Contact Name) Attorney (Title)

who may be reached at: his office located at (Company Name) 2021 Richard Jones Road, Suite 350 (Address)

Nashville (City) TN (State) 37215 (Zip Code) 615 / 370-3380 (Area Code / Phone Number)

E. Graham Baker, Jr. (Signature) August 10, 2012 (Date) graham@grahambaker.net (E-mail Address)

==========

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
Andrew Jackson Building
500 Deaderick Street, Suite 850
Nashville, Tennessee 37243

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The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the

CERTIFICATE OF NEED
REVIEWED BY THE DEPARTMENT OF HEALTH
DIVISION OF HEALTH STATISTICS
615-741-1954

2012 OCT 22 PM 2:15

DATE: October 31, 2012

APPLICANT: Shelby County Health Care Corporation
D/b/a Regional Medical Center
877 Jefferson Avenue
Memphis, Tennessee 38103

CONTACT PERSON: E. Graham Baker, Jr. Esquire
7000 Executive Center Drive, Suite 207
Brentwood, Tennessee 37027

COST: $28,400,000

In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Health Statistics, reviewed this certificate of need application for financial impact, TennCare participation, compliance with *Tennessee's Health: Guidelines for Growth, 2000 Edition*, and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

SUMMARY:

The applicant, Shelby County Health Care Corporation d/b/a The Regional Medical Center,(The MED) located in Memphis (Shelby County), Tennessee, seeks Certificate of Need (CON) approval for the following: (a) the conversion of the license for ten (10) med/surg beds to rehab beds, and (b) the relocation of its existing twenty (20) bed rehab unit, after which a thirty (30) bed rehab unit will be operated in Turner Tower; (c) the addition of three (3) operating rooms to be dedicated to outpatient surgery and be operated in Turner Tower as a department of the Applicant; (d) the general renovation of Turner Tower, including the build out of unused space for a twenty-four (24) bed unit which will be utilized as med/surg hospital beds; and (e) the relocation of the an existing ten (10) bed med/surg unit to Turner Tower, which will result in six (6) staffed med/surg beds. Other than mentioned above, there are no new licensed beds and no major medical equipment involved in this project. The total number of licensed beds will not change. No other health services will be initiated or discontinued.

Approximately 85,580 square feet will be renovated, 3,000 of which is in the Chandler Building and the remainder in Turner Tower. Even though Turner Tower was completed around 1992, much of the building has remained empty, and several floors do not even have HVAC systems installed. As one of the newer buildings on campus, Turner Tower is fully sprinkled and has floor-to-floor height that will accommodate modern mechanical systems used in healthcare facilities.

The CCU waiting room is now located in Turner Tower, but will be moved to the Chandler building where it will occupy approximately 3,000 square feet. The Square Footage and Cost per Square Footage Chart indicates the Rehab unit will occupy 22,400 square feet, the Outpatient OR Department will occupy approximately 17,500 square feet, and further renovation on the Ground, 2nd and 4th Floors of Turner Tower will affect approximately 42,680 square feet. Total cost of construction will be approximately $203 per square foot. The project is financially feasible based on cost information gathered by HSDA for hospital projects between 2009 and 2011.

Shelby County Health Care Corporation d/b/a Regional Medical Center is owned and managed by itself. The applicant is a 501 (c)3 non-profit corporation, chartered in 1981. The applicant does not own any other heath care institutions.

The total estimated project cost is $28,400,000 and will be financed through cash reserves. The Senior Executive Vince President and Chief Financial Officer have provided a letter located in Attachment C.EF.2 attesting that Regional Medical Center has sufficient assets to implement this project.

GENERAL CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee's Health: Guidelines for Growth, 2000 Edition.*

NEED:
The applicant's primary service area is Shelby County. Approximately 88.5% of the applicant's patients who originate from Tennessee were from Shelby County in 2011. The applicant also provided care to patients from 31 total counties in Tennessee, and patients from at least 10 other States in 2011.

The following chart illustrates the 2012 and 2016 population projections for the applicant's service area.

Service Area Total Population Projections for 2012 and 2016

County	2012 Population	2016 Population	% Increase/ (Decrease)
Shelby	949,665	976,726	2.8%

Source: *Tennessee Population Projections 2000-2020, February 2008 Revision,* Tennessee Department of Health, Division of Health Statistics

2010 Service Area Hospital Total Licensed and Staffed Bed Occupancy

Facility	Licensed Beds	Patient Days	Licensed Occupancy
Baptist Memorial Hospital	706	170,084	66.0%
Methodist Hospital-Germantown	309	68,707	60.9%
Regional Medical Center	661	94,450	41.0%
Saint Jude Children's Hospital	78	15,721	55.2%
Methodist Hospital-South	156	31,643	55.6%
Methodist Healthcare-Memphis	617	125,892	55.9%
Methodist Hospital-North	246	57,534	64.1%
LeBonheur Children's Hospital	255	55,767	59.9%
Baptist Memorial Hospital-Collierville	81	10,454	35.4%
Delta Medical Center	243	34,384	38.8%
Saint Francis Hospital	519	92,657	48.9%
Baptist Memorial Hospital for Women	140	26,115	51.1%
Saint Francis-Bartlett	100	27,247	74.6%
HealthSouth Rehabilitation Hospital	80	19,879	68.1%
Baptist Rehabilitation-Germantown	68	24,820	41.5%
Baptist Memorial Restorative Care	30	8,015	73.2%
Select Specialty Hospital	39	12,680	89.1%
Methodist Extended Care Hospital	36	11,379	86.6%
HealthSouth Rehabilitation-North	40	13,119	89.9%

Source: *Joint Annual Report of Hospitals 2010,* Division of Health Statistics, Tennessee Department of Health

2010 Service Area Rehabilitation Bed Utilization

Facility	Rehab Beds	2010 Occupancy
Baptist Rehabilitation-Germantown	68	41.5%
HealthSouth Rehab Hospital	80	68.1%
HealthSouth Rehab Hospital North	40	89.9%
Saint Francis Hospital	29	21.2%
Regional Medical Center	20	98.5%
Total	**237**	**Average: 60.9%**

Source: *Joint Annual Report of Hospitals 2010,* Division of Health Statistics, Tennessee Department of Health

The MED currently operates a 20 bed rehab unit in one of the older buildings on campus. These beds traditionally operate at a very high utilization, operating at 93.3%, 99.2%, 98.5%, and 95.0% during 2008-2011, respectively. Rehab patient days have accounted for 6.4%, 7.1%, and 7.2% of total inpatient days at the hospital for 2009 through 2011, respectively.

The applicant provides inpatient rehabilitation, surgery, and total inpatient utilization from the Joint Annual reports including 2011 Provisional data that is not finalized and subject to change, as requested by HSDA in Supplemental 1, Attachments B.III.A.2, B.III.A.3, and C.Need.5. ASTC utilization for 2011 is final and provided in the application as Attachment B.III.A.4.

Rehab is increasing its percentage of inpatient days provided at The Med. Most of the rehab patients are referred from within the hospital. The MED has the third busiest trauma center in the United States, and many of the rehab patients are former trauma patients. About 40% of the discharged patients eligible for inpatient rehab treatment, are treated in The MED's rehab unit, while the remaining 60% are treated in other facilities or in their homes. A significant number of these patients have no medical coverage. The existing 20 bed rehab unit will be moved to Turner Tower which will be renovated and 10 additional rehab beds will be added through the conversion of the license for 10 med/surg beds, which will create a 30 bed unit in Turner Tower. Of the 30 beds, 24 will be located on the third floor and the remaining 6 beds will be on the second floor and will be private rooms. The 24 beds on the third floor will be private beds. There will be no increase in The MED's total licensed bed count of 631.

The Turner Tower is one of the more recently constructed buildings and was designed and constructed to meet seismic safety requirements in effect at the time due to the close proximity to the New Madrid Fault. When originally constructed, the lower floors were utilized for various hospital functions, and the upper floors were shelled in for future use. Those upper floors are still empty and since renovations are taking place in Turner Tower with the approval of this project, there were efficiencies in renovating and building out the 4th Floor at the same time. Moving services into the Turner Tower will continue the placement of patients in more modern, efficient, and seismic ready areas on campus and help free up older buildings for either retro fit or removal.

The data requested in the Joint Annual Reports tracks total rehab bed utilization and patient origin information but does not track rehab bed utilization by county of origin. The MED decided that their high utilization of its rehab unit had to be a result of its Level I Emergency Room and Trauma Center. To that end, The MED contracted with a nationally known consulting firm, Murer Consultants, Inc., to examine rehab bed utilization. Murer conducted both a population-based study and a discharge-based study to determine the need for rehab beds at The Med. The population-based analysis centered on three States: West Tennessee, Northern Mississippi, and Northeastern Arkansas, and involved geographic circles around Memphis. Based on the more conservative geographic "ring" of population around Memphis, Murer concluded that at least 206 rehab beds (at 100% occupancy) to 243 rehab beds at (85% occupancy) would be needed in Memphis to properly serve rehab patients in an inpatient setting. Utilizing a wider geographic "ring" the conclusion was reached that 284 rehab beds (at 100% occupancy) to 334 beds (at 85% occupancy) would be needed.

An analysis of discharges of patients from The MED's rehab unit resulted in another set of figures, more specific to The MED. The analysis looked at specific data regarding patients who had been discharged, including DRG-specific information, average length of stay, and number of patient days in the rehab unit. By analyzing just those patients being discharged from The MED's rehab unit, the study show a need at The MED for 35 rehab beds (at 100% occupancy) to 41 beds (at 85% occupancy). The conclusion reached in the Murer report was that The MED could easily support 10 rehabilitation beds. HSDA staff requested the applicant to provide the detailed calculations that produced the resultant bed need from the Murer Study including the population-based methodology and the methodology based on the discharge diagnosis of The MED's patients. The applicant provides this information in Supplemental 1.

The applicant currently operates 14 OR and Special Procedure rooms. At present, The MED has 8 ORs on the 4th Floor of the Chandler Building (built in 1963), 1 Cysto Procedure Room in Chandler, 4 Trauma ED ORs on the ground floor of the Jefferson Building (built in 1981), and 1 OR in the Burn Unit on the Ground Floor of the Turner Tower. None of these existing surgery suites are dedicated to outpatient surgery. As a result, patients receiving outpatient surgery are incorporated into the inpatient suites and schedule. This application proposes to add 3 dedicated outpatient surgery suites in Turner tower, plus shell in a fourth suite for later use as needed. The dedication of these surgery suites for outpatient surgery will free up the existing OR suites for inpatient procedures and expedite throughput. There have been numerous examples of outpatients arriving at The MED for surgery early in the morning, only to be assigned to a holding area waiting time to have the procedure "worked in" to the existing schedule. Either the outpatient has surgery late in the day, or goes home only to come back the next day and wait in one of the surgery suites. Mixing inpatient and outpatient procedures create inefficiencies in the inpatient environment as more acute, more serious inpatient surgeries receive priority, many times at the last minute. More importantly, this will result in a special area of The Med's campus where all outpatient surgery patients can present, receive services, and be discharged in a more efficient and patient friendly way.

The assumption was made that at least 90% of all outpatient surgery procedures in the existing ORs would be performed in the new dedicated outpatient ORs. Doing so would result in full capacity for 2 dedicated outpatient ORs. In addition, the improved patient experience will attract more patients to The MED's outpatient surgery department. With these key assumptions in mind, it was decided that The MED's projected demand for dedicated outpatient surgery would require 3 ORs. In addition, sufficient space is available for a 4th dedicated OR, so that space will be shelled out during this build out.

The applicant provides inpatient rehabilitation, hospital surgery procedures, OR utilization, and total inpatient utilization from the Joint Annual reports including 2011 Provisional data that is not finalized and subject to change, as requested by HSDA in Supplemental 1, Attachments B.III.A.2, B.III.A.3, and C.Need.5. ASTC utilization for 2011 is final and provided in the application as Attachment B.III.A.4.

The U.S. Department of Health and Human Services states there are 58 Medically Underserved Area tracts in Shelby County. In addition, the same source shows that there are 113 census tracts that are Health Professional Shortage Areas. See Attachment C.Need.4.B.

Shelby County has a high percentage of racial minorities, with 19.7% of the population below poverty level. The MED accepts all patients who present for care, irrespective of their ability to pay. The applicant believes the approval of this project will only enhance the care delivered to all patients at The MED, including minorities and low income patients.

TENNCARE/MEDICARE ACCESS:
The applicant contracts with UHC/AmeriChoice, BlueCare, and TennCare Select.

The following chart illustrates the TennCare enrollees in the applicant's service area.

TennCare Enrollees in the Proposed Service Area

County	2012 Population	TennCare Enrollees	% of Total Population
Shelby	949,665	229,068	24.1%

Source: *Tennessee Population Projections 2000-2020,* February 2008 Revision Tennessee Department of Health, Division of Health Statistics and *Tennessee TennCare Management Information System, Recipient Enrollment,* Bureau of TennCare,

For the hospital, the applicant anticipates 14% of its total patients will be Medicare or $42,507,234 in revenues in year one.

For Medicaid, the applicant anticipates 42% of its total patients will be TennCare/Medicaid patients with the States 30% share amounting to $42,507,234 in year one.

The applicant reports traditionally the rehab unit has approximate payor sources of 10% Medicaid, 40% Medicare, 22% private pay, 17% insurance,3% worker comp., and 85 other.

The applicant reports outpatient surgery payor sources are traditionally 34% Medicaid, 10% Medicare, 36% private pay, 12% managed care, and 8% worker's comp. The projected year one payor sources are 30% Medicaid, 14% Medicare, 32% private pay, 16% managed care, and 8% worker's comp.

ECONOMIC FACTORS/FINANCIAL FEASIBILITY:
In the Project Costs Chart, the total estimated project cost is $28,400,000, which includes $942,030 for architectural and engineering fees; $860,000 for legal, administrative, and consultant fees; $17,368,137, for construction costs; $2,718,023 for contingency fund; $3,613,000 for fixed equipment; $2,853,810 for moveable equipment; and $45,000 for CON filing fees.

In the Historical Data Chart for The MED, the applicant reported 104,609, 94,450, and 90,772 patient days in 2009, 2010, and 2011 with gross operating revenues of $1,252,881,000, $1,139,081,000, and $1,236,923,000 each year, respectively. Contractual adjustments, provisions for charity care and bad debt reduced net operating revenues to $274,147,000, $264,506,000, and $337,488,000 each year. The applicant reports a net operating income/(loss) of ($20,217,000) $5,532,000, and $74,433,000 each year, respectively.

In the Projected Data Chart for The MED, the applicant projects 89,329 patient days in year one and 92,902 patient days in year two with gross operating revenues of $1,290,427,000 and $1,337,718,000 each year respectively. Contractual adjustments, provisions for charity care and bad debt reduced net revenues to $337,359,000 and $346,487,000 each year. The applicant projects net operating income of $37,400,000 and $36,033,000 each year, respectively.

In the Projected Data Chart for the rehab unit only, the applicant projects 8,213 patient days in year one and 9,308 patient days in year two with gross operating revenues of $36,505,695 and $41,373,122 each year, respectively. Contractual adjustments, provisions for charity care and bad debt reduced net operating revenues to $5,968,353 and $6,764,134 each year. The applicant projects net operating revenues of $1,266,229 and $1,579,994 each year, respectively.

In the Projected Data Char for Outpatient OR only located in Supplemental 1, the applicant projects 1,623, 1,889, and 2,164 encounters in years one, two, and three of the project with gross operating revenues of $17,816,600, $21,773,500 and $26,190,400 each year, respectively.

Contractual adjustments, provisions for charity care and bad debt reduced net operating revenues to $2,734,000, $3,517,000, and $4,348,000 each year. The applicant projects a net operating income/(loss) of ($580,000), ($75,700), and $439,300 each year, respectively.

In Supplemental 2, Corrected Pages, the 2011 average inpatient gross charge per patient day was $9,332, with an average deduction of $7,820, resulting in an average net charge of $1,512. The applicant projects the year one respective inpatient numbers will be $9,580, $8,028, and $1,552; and the year two respective projected inpatient numbers will be $9,626, $8,067, and $1,559.

In Supplemental 2, Corrected Pages, the 2011 average rehab charge per patient day was $4,446, with an average deduction of $3,740, resulting in an average net charge of $706. The applicant projects the year one respective projected rehab numbers will be $4,445, $3,718, and $727; and the year two respective projected rehab numbers will be $4,445, $3,718, and $727.

In Supplemental 2, Corrected Pages, the 2011 average outpatient charge per procedure was $10,455, with an average deduction of $9,191, resulting in an average net charge of $1,264. In year one the projected respective outpatient numbers will be $10,978, $9,293, and $1,685; and the year two respective projected outpatient numbers will be $11,526, $9,665, and $1,861.

The applicant provides a listing of Shelby County Hospitals' average inpatient charge in Supplemental 2, Corrected pages, page 51R.

The applicant considered many alternatives prior to filing this application. The improved utilization of The Turner Tower was of prime importance. The MED has this unused space that at the time it was built, the construction was such as to withstand anticipated earth tremors that might occur as a result of the fault on which Memphis sits.

The rehab unit is a service that The MED's patients need and upon which they depend. The Level I ER and a busy Trauma Center are referral sources for the full rehab unit. Expansion of this service on campus is extremely important. It was believed that expanding this service in one of four better buildings was the best alternative, as new construction would have been more expensive.

Consideration was given to building an ASTC off-site to offload the outpatient surgery volume and improve patient experience. However, this would have increased costs, as new construction would cost more than the renovation of Turner Tower. Further, there are 29 ASTCs in the Memphis market area, but only 3 are located West of I-240, leaving the downtown underserved. Also, an off-campus location for the surgery suites would reduce the number of existing outpatient procedures that could be moved from the Chandler Building to these new suites. Further, operation of new dedicated outpatient surgery suites as a department of the hospital is more appropriate and space is readily available. Surgery costs savings are projected at approximately $600,000 to $740,000 per year by having dedicated suites that operate more efficiently than in the existing surgery suites in the Chandler Building.

Finally, approximately $800,00 can be realized in construction/renovations cost savings by building out the 4th Floor of the Turner Building for a 24-bed med/surg unit, rather than waiting for another phase of improvements to occur on campus. Therefore, the costs are included in this project.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:

The MED and its predecessors have provided acute care medical services for citizens of Shelby County beginning in 1936. Today it is a regional referral hospital for a wide catchment area. The applicant provides a listing of its numerous relationships in Attachment C.OD.1.

As discussed in the body of the application, most of the rehab patients are referred from within the hospital, so there should not be any negative impact on existing rehab providers by the increase to 20 rehab beds. The dedicated outpatient ORs should not impact other surgery providers as most of the surgeries will simply be shifted from the existing inpatient suites. The renovation, realignment and relocation of the campus and beds will have no impact on existing providers.

The applicant provides the staffing required for the proposed 30 bed rehab unit on page 63 of the application. In addition, the applicant provides the staffing requirements for the Outpatient Surgery Department on page 64.

The applicant has clinical affiliation relationships with UT School of Medicine and the University of Memphis School of Nursing.

The MED is licensed by the Tennessee Department of Health, Board for Licensing Healthcare Facilities and accredited by The Joint Commission and CARF. The most recent licensure survey was conducted on 9/24/09 and the plan of correction was approved on 10.14/09. Deficiencies were noted in the areas of basic hospital function (nursing services, food and dietary services) and building standards.

SPECIFIC CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all relevant specific criteria for Certificate of Need as set forth in the document *Tennessee's Health: Guidelines for Growth, 2000 Edition.*

CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTH CARE INSTITUTIONS

1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.

   This project includes the conversion of 10 med/surg beds to rehab beds. The appropriate criterion for rehab beds is reviewed below.

2. For relocation or replacement of an existing licensed health care institution:

   a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.

      This criterion is not applicable. The facility is not being replaced or relocated.

   b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

      This criterion is not applicable. The facility is not being replaced or relocated.

3. For renovation or expansions of an existing licensed health care institution:

   a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.

      The applicant discussed in detail throughout the application, the need and demand for this project.

b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

The applicant provides a property map and view of the existing buildings in Attachment B. III.A.1. The age of many of the buildings: Adams (1945), Rout (1956 and 1973), Chandler (1963), Jefferson (1981) Turner (1992) Medplex, and at least on support building constructed in 1942. Only the Turner Tower and Medplex buildings were designed to meet seismic safety requirements at the time of their construction. The age of the building and the need to upgrade the facility to meet Life Safety Code and the Guidelines for Design and Construction of Health Care Facilities, along with other applicable codes such as the Americans with disabilities Act, all are examples of the need to renovate. The lack of space, the antiquated physical plant, and the prohibitive cost of attempting to upgrade means the need to relocate these services to another location on campus is necessary.

COMPREHENSIVE INPATIENT REHABILITATION SERVICES

1. The need for comprehensive inpatient rehabilitation beds shall be determined by applying the guideline of ten beds per 100,000 population in the service area of the proposal.

   The Division of Policy, Planning, and assessment calculated the need for 98 rehabilitation bed in the service area projected four years forward.

2. The need shall be based upon the current year's population and projected four years forward.

   The Division of Policy, Planning, and assessment calculated the need for 98 rehabilitation bed in the service area projected four years forward. According to the 2010 Joint Annual Report of Hospitals, there were 236 rehabilitation beds in Shelby County. Accord to 2011 Provisional Data, there were 209. According to 2010 Joint Annual report of Hospitals Final Data, there is a surplus of 138 rehab beds. Assuming 2011 data was correct, the surplus would be 111.

   Joint Annual 2011 Provisional data that is not finalized and subject to change.

Service Area Total Population Projections for 2012 and 2016

County	2012 Population	2016 Population	% Increase/ (Decrease)
Shelby	949,665	976,726	2.8%

Source: *Tennessee Population Projections 2000-2020, February 2008 Revision,* Tennessee Department of Health, Division of Health Statistics

3. Applicants shall use a geographic service area appropriate to inpatient rehabilitation services.

   The applicant's primary service area is Shelby County. Approximately 88.5% of the applicant's patients who originate from Tennessee were from Shelby County in 2011. The applicant also provided care to patients from 31 total counties in Tennessee, and patients from at least 10 other States in 2011.

   The MED contracted with a nationally known consulting firm, Murer Consultants, Inc., to examine rehab bed utilization. Murer conducted both a population-based study and a discharge-based study to determine the need for rehab beds at The Med. The population-based analysis centered on three States: West Tennessee, Northern Mississippi, and Northeastern Arkansas, and involved geographic circles around Memphis. Based on the more conservative geographic "ring" of population around Memphis, Murer concluded that

at least 206 rehab beds (at 100% occupancy) to 243 rehab beds at (85% occupancy) would be needed in Memphis to properly serve rehab patients in an inpatient setting. Utilizing a wider geographic "ring" the conclusion was reached that 284 rehab beds (at 100% occupancy) to 334 beds (at 85% occupancy) would be needed.

An analysis of discharges of patients from The MED's rehab unit resulted in another set of figures, more specific to The MED. The analysis looked at specific data regarding patients who had been discharged, including DRG-specific information, average length of stay, and number of patient days in the rehab unit. By analyzing just those patients being discharged from The MED's rehab unit, the study show a need at The MED for 35 rehab beds (at 100% occupancy) to 41 beds (at 85% occupancy). The conclusion reached in the Murer report was that The MED could easily support 10 rehabilitation beds. HSDA staff requested the applicant to provide the detailed calculations that produced the resultant bed need from the Murer Study including the population-based methodology and the methodology based on the discharge diagnosis of The MED's patients. The applicant provides this information in Supplemental 1.

4. Inpatient rehabilitation units in acute care hospitals shall have a minimum size of 8 beds.

   The applicant currently has 20 rehab beds and if this project is approved would have a total of 30 rehab beds.

5. Freestanding rehabilitation hospitals shall have a minimum size of 50 beds.

   This criterion is not applicable. This is not a freestanding rehab hospital.

6. Additional inpatient rehabilitation beds, units, or freestanding hospitals should not be approved by the HFC unless all existing units or facilities are utilized at the following levels:

20-30 bed unit	~ 75%
31-50 bed unit/facility	~ 80%
51 bed plus unit/facility	~ 85%

   The MED currently operates a 20 bed rehab unit in one of the older buildings on campus. These beds traditionally operate at a very high utilization, operating at 93.3%, 99.2%, 98.5%, and 95.0% during 2008-2011, respectively. Rehab patient days have accounted for 6.4%, 7.1%, and 7.2% of total inpatient days at the hospital for 2009 through 2011, respectively.

   Only two of the five rehab units operated above the suggested standard in 2010. The MED's 20 beds had an occupancy rate of 98.5% and HealthSouth Rehabilitation Hospital-North's 40 beds at 89.9%.

   Three rehab units in 2010 operated below the suggested standard, Saint Francis Hospital's 29 beds had an occupancy rate of 21.3%; HealthSouth Rehabilitation Hospital's 80 beds had an occupancy rate of 69.1%; and Baptist Hospital-Germantown's 67 beds had an occupancy rate of 42.1%.

7. The applicant must document the availability of adequate professional staff, as per licensing requirements, to deliver all designated services in the proposal. It is preferred that the medical director of a rehabilitation hospital be a board certified physiatrist.

The Murer study concluded that it would be necessary to add staff in order to provide care in a 30 bed rehab unit. The projected staff include 3.0 FTE physical therapists, 1.5 FTE physical therapist

assistants, 3.0 FTE occupational therapists, 1.5 FTE certified occupational therapist assistants, 1.5 FTE speech therapists, 1.5 FTE recreational therapists, 3.0 FTE rehab aides, 14.5 FTE registered nurses, 3.0 FTE licensed practical nurses, and 12.5 FTE certified nursing assistants.